

Obama budget combines austerity and phony populism

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The budget for fiscal year 2013 proposed by the Obama White House Monday is a thoroughly cynical exercise. It calls for hundreds of billions of dollars in social spending cuts, further devastating public services and the living standards of working people.

This is combined with populist demagoguery about taxing the rich, although the administration knows full well that no such measures will pass either the Republican-controlled House of Representatives or the Democratic-controlled Senate.

The budget incorporates \$1 trillion over ten years in cuts to domestic social spending already agreed on with congressional Republicans in last year's negotiations over raising the federal debt ceiling. To these cuts will be added a total of \$638 billion in social spending cuts.

Relatively few details leaked out over the weekend, and a preview document issued by the White House Friday listed only the programs that would receive spending increases, not those being slashed, for which only vague generalities were available.

The largest cutback will be \$360 billion over ten years from Medicare and Medicaid, mainly through reducing payments to health care providers, which will have the effect of further reducing the number of hospitals and doctors willing to treat patients on either government program. This cut is particularly pernicious because the Obama healthcare reform program calls for extending Medicaid to tens of millions of additional people in 2014, which will require more and not less funding to cover the cost.

Another \$278 billion over ten years will be cut from non-health domestic programs, particularly farm programs, pension plans for federal workers, the Pension Benefit Guaranty Corporation, which insures private pension funds, and the Postal Service, which is to phase out Saturday delivery and close hundreds of smaller post offices.

The cut in funding for the PBGC comes under conditions where large corporate employers like American Airlines are proposing to dump their pension plans on the government insurance program, which is already facing a huge deficit. This will mean that tens of thousands of workers will receive much less than they expect, or nothing at all, when they retire.

According to one press account, the agencies whose budgets are effectively frozen for the coming year include the Environmental Protection Agency, the National Aeronautics and Space Administration, the Food and Drug Administration, the National Park Service, the Fish and Wildlife Service, the Indian Health Service, Head Start and the National Institutes of Health.

Despite this grim reality, the Obama administration has sought to portray its budget as expanding services for working people and imposing greater burdens primarily on the wealthy. White House Chief of Staff Jacob Lew made the rounds of the television interview programs on Sunday morning, declaring that Obama was proposing measures that would promote job creation and economic recovery. "There is pretty broad agreement that the time for austerity is not today," he said on NBC's "Meet the Press."

In a similar vein, Obama followed the official release of the budget Monday morning with a speech before a student audience at the Northern Virginia Community College campus in suburban Annandale, where he pledged to increase taxes on the wealthy while making more financial aid and job training available to college-age youth.

The budget document does indeed propose a series of tax increases on business and the wealthy: \$61 billion over ten years on the largest banks, \$41 billion over ten years by eliminating tax breaks for oil, gas and coal companies, an unspecified amount from the so-called Buffett rule, which would set a minimum income tax rate

of 30 percent for wealthy individuals. By adding in the expiration of the Bush administration tax cuts for the wealthy, White House officials came up with a total of \$1.5 trillion in tax increases.

This figure, however, is entirely phony, since the lesser tax increase will never pass through Congress, and the expiration of the Bush tax cuts does not take place until December 31, 2012, long after the beginning of the 2013 fiscal year, and nearly two months after the presidential and congressional elections.

Equally fraudulent is the claim that military spending will be reduced by \$850 billion over ten years, because of the end of the wars in Iraq and Afghanistan. There is no reason to believe that the vast US outlays in Afghanistan will end in 2014, as the White House projects. And while US troops have been withdrawn from Iraq, they are being repositioned for future wars against Syria, Iran and other targets in the oil-rich Middle East and Central Asia, and ultimately against major powers like Russia and China.

The budget also assumes that Congress adopts in full the remaining elements of Obama's American Jobs Act. This would include a total of \$350 billion in stimulus spending, including a one-year extension of the payroll tax cut, a one-year extension of extended unemployment benefits, a \$50 billion infrastructure program, a \$30 billion program to modernize school buildings, and a \$30 billion program to help states hire additional teachers, firefighters and policemen.

Other than the payroll tax extension, which House Republican leaders support as a means of further defunding Social Security and Medicare, there is little reason to believe that any of these proposals will be adopted. The White House proposed them last fall as an exercise in election-year demagoguery.

The only true assertions in relation to the budget are the projections that domestic spending will plunge over the next decade, from 8.7 percent of US gross domestic product today, to under 5 percent.

The deficit projected in the 2013 budget is \$1.33 trillion, about the same as last year's \$1.36 trillion, and \$200 billion more than congressional budget analysts projected last fall. It would be the fourth consecutive annual deficit of more than \$1 trillion, fueled by continued record military spending, the collapse of tax revenues because of the economic slump, and the cost of the federal bailout of the banks and other financial institutions.

The staggering rise in total federal debt, from \$5 trillion when Bush took office to some \$10 trillion when Obama

entered the White House, and now approaching \$15 trillion, is a demonstration of the colossal scale of the plundering of the US economy and the US Treasury by the super-rich. Both Obama and his Republican opponents agree that the price for the bankruptcy of American capitalism must be exacted from working people, through the destruction of jobs, living standards and social programs.

In his speech Monday to a student audience, Obama made the usual invocations of "shared responsibility" and equal sacrifice, including his now-standard example of how billionaire Warren Buffett pays a lower tax rate than his secretary.

But Obama's top campaign aides are saying something very different when behind closed doors with a Wall Street audience. According to a report by Bloomberg News, Jim Messina, manager of Obama's reelection campaign, "assured a group of Democratic donors from the financial services industry that Obama won't demonize Wall Street."

Among those present last week at the members-only Core Club in Manhattan, according to Bloomberg, were: "Ralph Schlosstein, chief executive officer at Evercore Partners Inc., and his wife, Jane Hartley, co-founder of the economic and political advisory firm Observatory Group LLC; Eric Mindich, founder of Eton Park Capital Management LP; and Ron Blaylock, co-founder of GenNx360 Capital Partners."

Messina told them that Obama would not target private equity firms in general if Mitt Romney is his Republican opponent. Any criticism of asset-stripping to destroy jobs would be focused exclusively on Romney, "not the industry that made the former governor of Massachusetts millions," Bloomberg reported.



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