

Bipartisan Senate deficit deal to cut Medicare, slash taxes for the wealthy

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A speech given Tuesday to the National Press Club by Charles Schumer, Democratic senator from New York, sheds further light on the anti-working class character of a federal deficit-cutting deal being worked out in secret, with the backing of the Obama administration, by a group of four Democratic and four Republican senators.

The discussions by the so-called “Gang of Eight” underscore the undemocratic character of the elections. Behind closed doors, with the support of the leadership of both big business parties, plans are being laid to impose unprecedented cuts in basic social programs such as Medicare, Medicaid, Social Security and food stamps, along with further tax cuts for corporations and the wealthy.

The aim is to reach an agreement that will be passed after the elections by the so-called “lame duck” Congress (whose term will expire at the beginning of January) for austerity measures and tax cuts for the rich. These measures are not being discussed by either presidential candidate or either party in the election campaign. They are to be put in place regardless which party controls the White House and Congress, with the electorate denied any opportunity in the elections to express its attitude to them.

Schumer is not part of the “Gang of Eight,” but as the third-ranking Democrat in the Senate, a member of the Senate Finance Committee, and one of Congress’ biggest recipients of campaign funds from Wall Street, he has intimate knowledge of the group’s discussions. In his speech, he made clear that the Democratic Party has agreed to major cuts in basic entitlement programs such as Medicare and that the budget plan currently being worked out includes cuts in both corporate tax rates and personal income tax rates for the wealthy.

Schumer’s remarks created a stir because he declared

his opposition to the Gang of Eight’s proposals for “tax reform” that include further cuts in income tax rates, supposedly to be compensated for by the closure of unnamed tax loopholes. While supporting a cut in corporate tax rates, Schumer proposed that the income tax rates for the top two brackets be raised from their current levels to those that prevailed under President Clinton.

That would mean raising the top rate (for households making more than \$388,000) from 35 percent to 39.6 percent and increasing the second highest rate (for households making between \$217,000 and \$388,000) from 33 percent to 36 percent. He also called for raising the rate on capital gains to bring it closer to that for wages and salaries.

This provoked a rebuke from the Republicans, who made it clear that the White House is backing a cut in income tax rates for the rich. Kevin Smith, a spokesman for Speaker of the House John Boehner, said, “A tax reform framework that lowers rates and closes loopholes has support from both parties, including the Obama administration...”

The White House was deliberately vague in its response. According to the *New York Times*, an official said that Schumer’s remarks underscored Obama’s position that corporations and the wealthy would have to “pay their fair share” in any deficit deal.

More significant than what Schumer said about taxes were his remarks on budget cuts. Posing the question, “What’s in this for Republicans?” he said there would be the “potential for serious entitlement reform.” He went on to say that the Senate negotiators “can find ways to reduce Medicare by hundreds of billions of dollars.”

Commenting on Schumer’s remarks on entitlement program cuts, Jim Kessler, senior vice president for

policy at Third Way, a Democratic group, said, “Schumer’s speech puts him squarely in the get-a-deal camp, and he willingly puts entitlements on the table. That’s a big move.”

The push for a post-election budget agreement is taking place against the backdrop of the so-called “fiscal cliff,” a series of measures due to be enacted on January 1, 2013 should Congress fail to pass a deficit-reduction plan by the end of the year.

Under the agreement reached in August 2011 between the White House and the Republicans to raise the US debt ceiling, a failure by Congress to pass a bill that year with at least \$1.2 trillion in deficit reduction would trigger \$1 trillion in across-the-board federal spending cuts over ten years, beginning on January 1, 2013. The cuts would apply to the military as well as to social programs. Since Congress did not pass such a deficit plan in 2011, the so-called “sequestration” cuts are currently due to begin at the New Year, including \$109 billion in cuts in 2013.

At the same time, the Bush-era tax cuts, a reduction in Social Security payroll taxes, and federally funded extended unemployment benefits are all set to expire January 1, 2013 as a result of the deal made in December 2010 between Obama and congressional Republicans.

The prospect of these spending cuts and tax increases taking effect at the New Year is being used to create a crisis atmosphere which the Democrats and Republicans and the media will use to justify an intensification of attacks on the living standards of the working class. In addition to cuts in Medicare and other basic social programs, it is virtually a foregone conclusion that extended benefits for the long-term unemployed will be discontinued in any budget agreement that is worked out. The cut in payroll taxes is also likely to be dropped.



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