

# US fiscal cliff talks target the working class

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As the deadline for the so-called “fiscal cliff” grows nearer, the indications mount that, behind the smokescreen of deficit talks and media hype, the artificial fiscal emergency is the starting point of a process for making deep structural cuts in basic social programs that previously would have been considered politically impossible.

Scattered press reports and statements by some Democrats as well as Republicans make clear that any deal to avert the fiscal cliff will only be a down payment on fundamental attacks on social entitlements. In discussion are such moves as raising the eligibility age for Medicare, the government health insurance program for the elderly, cutting benefits for recipients of Medicare and Medicaid (the health program for the poor), and ending Medicare’s status as a universal program by instituting means-testing.

While the Democrats are proposing that Social Security, the government pension program for the elderly, not be included in a short-term agreement to be reached before the end of the year, they are not excluding structural changes in Social Security further down the road.

At the same time, both parties and the White House are agreed in principle on a revamping of the tax code to cut taxes for corporations and the rich and increase the tax burden on the vast majority of Americans.

On Wednesday, President Obama escalated his public relations campaign to disguise the bipartisan drive for austerity for workers and tax cuts for the rich behind a façade of “balance” and “fairness.” Flanked by a group of what the White House called “average middle-class taxpayers,” he reiterated his call for congressional Republicans to agree to immediately extend the Bush-era tax cuts, due to expire January 1, for households making less than \$250,000. At the same time, he repeated his public insistence that any deal to avert the tax increases and automatic spending cuts dubbed the

“fiscal cliff” allow the Bush tax cuts to expire for the 2 percent of households earning more than \$250,000.

The top Republican congressional leadership has rejected raising tax rates on the rich and instead proposed increasing revenues exclusively by capping tax deductions. At the same time, the Republicans are demanding that Obama and the Democrats spell out their proposals for “reforming” Medicare and Medicaid.

On Friday, Obama will hold a campaign-style PR event at a toy factory in Hatfield, Pennsylvania to posture as the partisan of middle-class taxpayers and warn that failure to agree on the framework of a deficit-cutting deal before Christmas will stunt holiday shopping. Meanwhile, White House spokesmen are reassuring the ruling class that the administration is committed to major cuts in social entitlements along with “comprehensive tax reform.”

While this political theater is being staged for public consumption, corporate CEOs are descending on the White House and Capital Hill for secret meetings with both parties to ensure that any eventual budget deal conforms to their agenda.

White House officials met Monday with leaders of the Business Roundtable and the Chamber of Commerce. On Wednesday, Obama met in the White House with a group of CEOs, including Lloyd Blankfein of Goldman Sachs. Blankfein was denounced last year by the Senate Permanent Subcommittee on Investigations for his role in the sub-prime mortgage racket that triggered the financial meltdown in 2008.

Also present were the CEOs of Caterpillar, Home Depot, Coca Cola, Yahoo, Merck, Pfizer, Deloitte, Macy’s, Comcast, State Farm Insurance, Marriott, AT&T and Archer Daniels Midland.

Blankfein also met Wednesday with House Republicans, alongside other CEOs including Doug Oberhelman of Caterpillar and Thomas Wilson of

Allstate.

The *Wall Street Journal* on Tuesday published an article headlined “‘Cliff’ Wranglers Weigh Medicare Age.” The article quoted North Dakota Democrat Kent Conrad, the retiring chairman of the Senate Budget Committee, as calling the raising of the eligibility age for Medicare from 65 to 67 “something we could accomplish.”

NBC Nightly News led its report Wednesday evening with speculation that the Medicare age could be raised to 67 or even higher as part of an eventual budget deal.

The *New York Times* published an article Tuesday entitled “A Tax Break Once Sacred Is Now Seen As Vulnerable,” noting closed-door discussions on reducing or ending the tax deduction for home mortgage interest payments, a provision that saves tens of millions of homeowners thousands of dollars a year.

Illinois Senator Dick Durbin, the number-two Senate Democrat and senior senator from Obama’s home state, signaled in a speech Tuesday before the Center for American Progress, a liberal Washington think tank, the readiness of the administration to make major cuts in basic entitlement programs. “We can’t be so naïve to believe that just taxing the rich will solve our problems,” he said, adding, “Put everything on the table. Repeat. Everything on the table.”

Durbin has made clear he is open to raising the Medicare eligibility age and instituting a form of means testing, which would turn the program into a poverty scheme and prepare the way for its dismantling.

Durbin also acknowledged that behind the public façade of fiscal cliff talks, the real decisions were being made in secret. “We’re playing Ping-Pong up here, but they’re rolling bowling balls under the table,” he told the Democratic think tank.

A sure sign of the deeply reactionary character of the budget deal being worked out is the renewed prominence of retired Republican Senator Alan Simpson and Democrat Erskine Bowles, a former White House chief of staff to Bill Clinton. Simpson and Bowles co-chaired the deficit-reduction commission set up by Obama in 2010.

The two have reemerged to push for brutal austerity measures and sweeping cuts in taxes for corporations and the wealthy. They have initiated a corporate lobby called “Fix the Debt,” with a \$60 million war chest, to promote the agenda of big business in the current

negotiations.

On Tuesday, Bowles and Simpson, along with CEOs who have joined their group, met privately at the White House with six senior administration officials, including Treasury Secretary Timothy Geithner. On Wednesday they met with Republican and Democratic leaders of the House and Senate.

The *New York Times* on Wednesday noted the pair’s seeming omnipresence on television interview programs and reported that they are cashing in on their notoriety, pocketing \$40,000 apiece for each appearance before a business group.

The final report of the panel they chaired called for \$4 trillion in deficit reduction over the next decade, overwhelmingly weighted—three to one—on the side of spending cuts as compared to tax increases. Their proposals included setting the Social Security retirement age on a course to rise to 69, and imposing tax changes, in the name of “reform,” that would cost the average tax payer \$1,700 more per year.

These included the elimination of deductions for home mortgage interest and employer-paid health insurance and a 15-cent rise in the federal gas tax. This would be used to partly offset lower tax rates for capital gains and dividends and sharply lower individual and corporate tax rates.

In addition to slashing Medicare, Medicaid and Social Security, these key players in the current bipartisan budget talks called for freezing the salaries of federal workers and eliminating 200,000 federal jobs.



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