

# After election, Obama moves to slash social spending

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In the wake of Barack Obama's victory in the 2012 US presidential election, Democratic Party officials have proclaimed their intent to collaborate with Republicans to slash billions of dollars in social spending.

In his victory speech, Obama made clear his priorities in the aftermath of the election, saying that “in the coming weeks and months, I am looking forward to reaching out and working with leaders of both parties to meet the challenges we can only solve together. Reducing our deficit. Reforming our tax code. Fixing our immigration system...”

In the midst of the worst economic crisis since the Great Depression, the president said nothing about poverty, mass unemployment or any of the other social ills afflicting tens of millions of Americans.

Obama's rush to slash spending comes despite the sentiments expressed in the election itself, where Obama, the candidate generally portrayed in the media as favoring social spending, won over the Republican Romney, who was viewed by millions of working people as a proponent of deeper spending cuts and an enemy of social programs.

The drive to cut spending likewise conflicted with the desires of voters themselves: according to exit polls, only ten percent said that the deficit was the most important issue facing the country.

In the coming weeks, the White House will seek to cut a deal on spending cuts and tax cuts intended to avert the so-called fiscal cliff, which involves the simultaneous expiration of all Bush-era tax cuts, the temporary payroll tax cut agreed to by the Obama administration and congressional Republicans two years ago, and across-the-board cuts to military and social spending of nearly ten percent.

In the place of these measures, triggered January 1 or

soon afterwards, Obama and the Republicans are seeking to work out a deal that would make even sharper cuts in social entitlements like Medicare, Medicaid and Social Security, while raising taxes on working people and cutting them for corporations and the rich.

Obama has proposed to cut nearly \$4 trillion from the deficit over ten years. This would include \$320 billion from the long-standing entitlement programs, Medicare and Medicaid, which provide health care to seniors and the poor, respectively. But the deal that is likely to be worked out between Congress and the White House will likely entail even sharper cuts to key social programs.

Wall Street sent its own message to the re-elected president with a post-election selloff that sent the S&P 500 down by 2.3 percent Tuesday. The banks and major corporate CEOs have been clamoring for the US to announce cuts to social programs, and credit rating agencies have threatened to downgrade the country's debt unless a deal is worked out.

In a press conference Wednesday, Democratic Senate Majority Leader Harry Reid repeatedly stressed his intention to collaborate with the Republicans, saying, “It is better to work together... Everything doesn't have to be a fight—that's the way it's been the last couple of years.”

The day after the Democrats expanded their majority in the Senate, Reid said, “I'm willing to negotiate any time on any issue,” and added, “I'm going to do everything in my power to be conciliatory.”

Reid made it clear he intends to cut social spending as soon as possible, saying, “I am not for kicking the can down the road. Waiting for a month, six weeks, six months, that is not going to solve the problem.”

The Democrats' determination to slash social

spending is exemplified by ongoing speculation in the press that Erskine Bowles, the co-chair of the National Commission on Fiscal Responsibility and Reform—better known as the Simpson-Bowles Commission, which proposed trillions of dollars in spending cuts—will be nominated for the position of treasury secretary being vacated by Timothy Geithner.

Even before Election Day, Obama made clear his determination to slash billions of dollars in social spending. “There's no doubt that our first order of business is going to be to get our deficits and debt under control,” he told MSNBC. “We've already made a trillion dollars worth of cuts. We can do some more cuts. We can look at how we deal with the health care costs in particular under Medicaid and Medicare in a serious way, but we are also going to need some revenue.”

Obama's statement came after 80 CEOs of major US companies, including Steve Ballmer of Microsoft, Lloyd Blankfein of Goldman Sachs, Jeffrey Immelt of General Electric and Jamie Dimon of JPMorgan Chase, sent a letter to the president and his Republican challenger urging them to proceed with budget-slashing and tax “reform,” i.e., lowering taxes for the rich and raising them for everyone else.

The program of the corporate executives is essentially identical to that proposed by Obama and conforms to the proposals for over \$4 trillion in austerity and tax “reform” advanced by the bipartisan Simpson-Bowles commission.

On Tuesday evening, House Speaker John Boehner (R-Ohio) declared, “the American people have also made clear that there is no mandate for raising tax rates.”

But by Wednesday afternoon, the top congressional Republican made it clear that the Republicans would be willing to consider raising revenues by closing “tax loopholes”, provided that this does not mean “higher tax rates on small businesses,” a code phrase for opposing taxes on the rich and corporations.

“For purposes of forging a bipartisan agreement that begins to solve the problem, we're willing to accept new revenue, under the right conditions,” Boehner said.

These “conditions” would be an increase in effective tax rates paid by the working class through the elimination of tax credits and deductions that generally benefit middle and low-income families. At the same

time, the Republicans have adamantly opposed the slightest tax increase on the rich.

The Democrats have publicly supported a marginal increase in taxes for those making over \$250,000 as a political fig leaf for an historic attack on entitlement spending. The expiration of the Bush-era tax cuts for the rich—which would be more than offset by a tax “reform” agreement to lower taxes on corporations and wealthy individuals—would be presented as “equal sacrifice” as the administration slashed trillions from programs that have extended life expectancy in the US.

For his part, the Republican House leader said, “If there is a mandate in yesterday's results, it is a mandate for us to find a way to work together on solutions to the challenges we face together as a nation.”

But even as Boehner stated, “We're closer than many think to the critical mass needed legislatively to get tax reform done,” he added that “a grand bargain” may have to wait until the new year. In his speech Wednesday afternoon, Boehner stated that, “What we can do ... is avert the cliff in a manner that serves as a down payment on—and a catalyst for—major solutions, enacted in 2013, that begin to solve the problem.”

Among the main goals of Obama and the Republicans is to close a deal that would prevent any cuts to military spending from the scheduled sequestration, which under the terms of legislation passed in August 2011 would slash the military budget by nearly ten percent.

The effort to prevent any cuts to military spending came as US allies in the conflict with Syria moved to escalate the drive towards war “within hours” of Obama's reelection, according to a report by the Associated Press. Anticipating “a new, bolder approach from the American president,” the AP reported, Britain announced it will begin discussions directly with anti-Assad forces, while Turkey announced that NATO members were discussing the deployment of US-supplied Patriot missiles to enforce a “safe zone” inside Syria.



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