Obama spells out austerity agenda for second term

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In his first public statement since election night, President Barack Obama said Friday that his main priority in the coming months will be to slash the federal budget deficit, primarily through major cuts in health care and other social programs.

Speaking from the White House, Obama announced plans to hold discussions next week with congressional leaders of both parties and business executives to work out a bipartisan agreement on budget cutting. In addition to austerity measures, the Democrats and Republicans are agreed on implementing a "comprehensive tax reform" that will benefit corporations and the wealthy at the expense of the majority of the population.

In the course of his brief remarks, Obama boasted of spending cuts implemented during his first term in office and pledged, in the name of "strengthening" Medicare and Medicaid, to cut even more from these programs.

"Last year, I worked with Democrats and Republicans to cut a trillion dollars worth of spending," Obama said. "I intend to work with both parties to do more, and that includes making reforms that will bring down the cost of health care, so we can strengthen programs like Medicaid and Medicare for the long haul."

To justify these measures, Obama cited the so-called "fiscal cliff"—a series of spending cuts and tax increases put in place by the administration and Congress last year and slated to take effect on January 1 unless a new plan to slash the deficit is enacted before then. The media and the political establishment are seeking to foster a crisis atmosphere over this manufactured deadline in order to push through deeply unpopular measures as quickly as possible, now that the elections are out of the way.

Under current law, on January 1 there will be a simultaneous expiration of all Bush-era tax cuts and the Obama payroll tax holiday, along with an automatic "sequestration" that will begin to cut federal discretionary spending, military as well as civilian, by hundreds of billions of dollars.

Obama said, "At the end of this year we face a series of deadlines that require us to make major decisions about how to pay our deficit down, decisions that will have a huge impact on both the economy and the middle class, both now and in the future."

In his remarks, he insisted as a requirement for any deal with the Republicans that "the wealthiest Americans pay a little more in taxes," adding that he refused to "accept any approach that isn't balanced." The administration wants some pretense of "shared sacrifice" to help sell the package to the American people.

"I'm not going to ask students and seniors and middle class families to pay down the entire deficit," Obama said.

However, Obama went out of his way to make clear his intention to strike a bargain with congressional Republicans over taxes, saying, "I'm not wedded to every detail of my plan. I'm open to compromise."

Several newspapers, including the *Washington Post* and the *Wall Street Journal*, noted that while calling for the top 2 percent of earners to pay more in taxes, Obama did not call for an increase in tax *rates* on incomes over $250,000, a policy he had campaigned on.

As the *Journal* put it, "That left open the possibility of raising tax revenue by limiting or eliminating tax deductions or other tax breaks for families above those thresholds," rather than raising income tax rates.

The *New York Times* noted that Charles E. Schumer of New York, the third-ranking Senate Democrat, suggested Thursday that "he could accept a tax plan that leaves the top tax rate at 35 percent, provided that loophole closings would hit the rich, not the middle class."

Earlier in the day, Republican House Speaker John Boehner reiterated his opposition to any increase in the top tax rate, but said that he too would be amenable to raising government revenues by cutting tax loopholes as part of a plan to slash social entitlement programs.

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The conclusions of the Simpson-Bowles commission on deficit reduction, established by Obama in 2010, give some indication of what is in store. The commission recommended regressive tax changes that would disproportionately impact working people, including eliminating the home mortgage interest deduction and the deduction for employer-provided health care benefits. The commission also recommended introducing a 15 percent gasoline tax.

Most proposals for taxes from both parties also include a significant cut in corporate taxes, generally alluded to under the euphemism of “pro-growth” tax reform.

In his speech, Obama called on Congress to act immediately to prevent tax increases on the “middle class” at the end of the year. For his part, Boehner made clear that he would be willing to delay a long-term agreement to cut social spending until next year as long as a framework was established by the end of this year.

Despite campaigning against the Bush-era tax cuts for the rich in 2008, Obama signed a two-year renewal of the measure following the 2010 elections, when Republicans regained control of the House of Representatives.

Whatever the ultimate form of the deal worked out by Obama and the Republicans, both parties are agreed on implementing trillions of dollars in cuts to social spending on Medicare, Medicaid, and Social Security, and reworking the tax code to increase the tax burden on a majority of the population while lowering it on the very rich.

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