

In “fiscal cliff” talks, Democrats offer cuts now, cuts later

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The Obama administration revealed Sunday that it is willing to discuss longer-term cuts in Social Security as well as immediate cuts in Medicare and Medicaid in ongoing negotiations over the federal budget with congressional Republicans.

Secretary of the Treasury Timothy Geithner, named by Obama last week as his chief negotiator on budget issues, appeared on multiple network television interview programs Sunday to state the administration position.

The selection of Geithner to lead the talks was aimed at reassuring big business that there was nothing to fear in Obama’s demagogic campaign about raising taxes on the wealthy. The treasury secretary has been identified since his prominent role in the Wall Street bailout as the chief advocate of the big financial interests within the administration’s innermost circles.

The White House has focused on blocking any extension of the Bush tax cuts for the wealthy—due to expire December 31—in order to provide a fig leaf of “shared sacrifice” while Obama and Congress work out an agreement to slash spending on social programs on which tens of millions of working, retired and disabled people depend.

Geithner sounded this theme in appearances on CBS, ABC, NBC and Fox Sunday morning. He claimed that the only obstacle to reaching agreement on averting the “fiscal cliff”—the December 31 expiration of the Bush tax cuts, extended unemployment benefits and payroll tax cuts, and the imposition soon after of across-the-board spending cuts in both social and military programs—was House Republican opposition to raising taxes on the wealthy.

“The only thing that stands in the way of an agreement that’s good for the American economy is if a group of Republicans decide they’re going to block any increase in tax rates on the wealthiest Americans,” he said on the CBS program “Face the Nation.”

This suggests that once that issue is resolved—which involves a tiny increase in taxes on the rich, about four cents on the dollar—the Democrats and Republicans would find themselves in agreement on the spending cuts required. In that respect, Geithner is perhaps inadvertently telling the truth, revealing the real bipartisan agreement on attacking the working class that is usually covered up by the Democratic Party’s political posturing about defending working people and the elderly.

In each of his appearances, Geithner emphasized that Obama has proposed \$600 billion in “spending savings” on top of the more than \$1 trillion in cuts agreed upon with the House Republicans in August 2011 as part of the measure to raise the federal debt ceiling. The bulk of these cuts, nearly \$400 billion, come from Medicare.

Geithner said that the White House was open to making cuts in Social Security, although in the Orwellian language used by both the Democrats and Republicans to talk about this politically sensitive issue, he referred to it as “looking at how to strengthen Social Security.” But he said Social Security should not be part of the talks on the “fiscal cliff,” which requires an agreement by the end of the year. Instead, it should be taken up as part of a larger budget and tax negotiation next year.

On the NBC program “Meet the Press,” Geithner was asked whether cuts in military spending should be part of the deal. He rejected the suggestion, declaring that “we’re going to look to the Pentagon for what makes the most sense for the national security needs of the country.” In other words, the military brass has a veto over war spending.

Democratic congressional leaders who appeared on the same programs after Geithner endorsed the White House policy and went even further in proposing cuts.

Senator Claire McCaskill of Missouri, one of the most right-wing figures in the Senate Democratic caucus—and one of those closest to Obama—appeared on “Meet the

Press.” She said the two parties had “to put politics aside,” by which she meant, stop criticizing each other for attacking Medicare and Social Security and get on with the job.

“We have to quit playing to the cheap seats in politics,” she said cynically. “It’s a game of chicken to put the painful stuff out there.”

McCaskill pointed to Republican criticism of Obama during the presidential campaign for the \$716 billion in cuts to Medicare providers, incorporated into the Obama health care legislation of 2010. “We need a mutual détente” on such attacks, she said, since the two parties have to work together to make even bigger cuts.

“I think we can get to means testing fairly easily, more aggressive means testing, some higher co-pays for those people who can afford it,” she said. “I mean, we’ve got to get to a point where we are really having people who can afford to pay for their health care, having them to take that responsibility instead of the government.”

Means testing, in effect transforming Medicare into a program limited to the poor, was proposed by Republican presidential candidate Mitt Romney. It would set the stage for starving Medicare of funds and ultimately abolishing it, as the Republicans have already proposed to do in the case of Medicaid.

Also appearing on “Meet the Press,” Congressman Chris Van Hollen, a key member of the House Democratic leadership, voiced a similar willingness to cut Medicare, boasting, “The president’s budget over the next ten years has more additional savings in Medicare than the Republican Ryan budget over the next 10 years. Let’s see their plan.”

Another leading Obama supporter, Wall Street financier Steven Rattner, appeared on the ABC program “This Week.” Rattner was the principal architect of the Obama bailout of the auto industry, which slashed wages for new-hires by 50 percent and eviscerated health benefits for retired workers.

The multimillionaire declared flatly, “We have a trillion a year deficit. You’re not going to solve all that with tax increases, you’re not going to solve all that with cutting discretionary programs. We have to fix the entitlement programs. There is no real choice about that.” This would include cuts in Social Security, he said, endorsing Geithner’s stance.

Perhaps the most ominous suggestion of the direction that the Obama administration is taking came from former top White House adviser Paul Volcker, notorious as the architect of savage recessionary policies as the head of the

Federal Reserve Board during the Carter and Reagan administrations.

In a speech at Cooper Union in New York, later published in the *New York Review of Books*, Volcker discussed the topic, “What the New President Should Consider.” He pointed to the increase in federal spending under Obama to 25 percent of US gross domestic product, without pointing out that this was fuelled by the continuation of both wars launched by George W. Bush and the impact of the economic crisis on federal programs like unemployment compensation, Medicaid and food stamps.

Volcker proposed that the administration’s goal should be to “take very strong measures—encompassing savings in entitlements, and in defense as well as civilian expenditures—to get spending as low as 21 percent of GDP. Given the demands of an aging population and rising health care costs, it will take years to attain that level and even more effort to sustain it.”

He suggested that cuts of “some hundreds of billions of dollars a year” should be combined with a radical shift in the tax system, away from one “heavily dependent on income taxation” and towards a system that would “bear more heavily on consumption than investment.”

In other words, this leading Democratic elder suggests that the burden of both spending cuts and tax increases should be borne by the working class, under conditions where the financial aristocracy continues to amass record levels of wealth and income while living standards for working people are declining and unmet social needs are multiplying.



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