

Public tussle over US deficit plans masks bipartisan agenda

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Republican leaders of the House of Representatives on Monday responded to a White House proposal with a counter-plan to slash the deficit and avert the so-called “fiscal cliff”—some \$600 billion in tax increases and automatic spending cuts slated to start on January 1 if no deficit-cutting deal is reached before then.

Both the Democrats and the Republicans are using the artificial fiscal emergency to call for cuts in the basic federal health care programs, Medicare and Medicaid, as well as Social Security, the government pension program for the elderly, along with reductions in outlays for education, transportation, food stamps and other social needs. At the same time, they are pushing for a revamping of the tax system to slash rates for corporations and the rich and eliminate or reduce tax deductions that benefit working people.

The real impact of the changes being negotiated—their profound and reactionary implications for a large majority of the population—are being deliberately concealed behind a stage-managed and cynical show of partisan warfare. President Obama is attempting to con the public and give his liberal and “left” backers a fig leaf to cover their support for anti-working class policies by insisting that any budget deal allow the Bush-era tax cuts for the rich to expire on January 1.

The Republicans are for now rejecting any increase in tax rates for the rich, demanding instead that increased tax revenues be derived solely from the elimination or curtailment of unspecified tax deductions. Behind the supposed stalemate over this issue—which involves at most a token, and temporary, tax hike on the wealthiest 2 percent of US households—both parties are moving to impose deep and permanent structural changes in bedrock social programs that will have devastating consequences for tens of millions of people.

On Monday, House Speaker John Boehner and other House Republican leaders sent a letter to the White House

rejecting the administration plan, submitted last week, and laying out a counter-proposal that would keep the Bush tax cuts for the rich in place and cut social spending by twice as much as the Democratic proposal.

The letter called for increased tax revenues of \$800 billion over the next decade and \$1.2 trillion in cuts in social programs. It called for \$600 billion in cuts to Medicare and Medicaid, \$300 billion in cuts to other mandatory social programs (such as food stamps), and another \$300 billion in cuts to discretionary social spending (education, transportation, etc.).

Leading Republicans have made it clear that these cuts would be achieved in part by raising the eligibility age for Medicare from 65 to at least 67 and expanding means-testing for the health care program for seniors. The latter proposal is aimed at transforming Medicare from a universal program to a poverty program, opening the way for repeated cuts and its eventual dismantling.

The Republican plan also included changing the formula for cost-of-living adjustments for Social Security and other federal benefit programs to lower benefit increases, saving an estimated \$200 billion and bringing the total deficit-reduction package to \$2.2 trillion.

Last week, the Obama administration submitted a \$2.2 trillion plan to Boehner and the House Republicans calling for \$1.6 trillion in increased tax revenues, largely generated by ending the Bush tax cut for households making more than \$250,000 a year. The plan also included \$350 billion in Medicare and Medicaid cuts and \$250 billion in cuts in other social programs.

Obama’s chief budget negotiator, Treasury Secretary Timothy Geithner, made it clear in multiple talk show appearances Sunday that the administration wants to “reform” Social Security as well as Medicare and Medicaid, but believes Social Security cuts should not be part of the “fiscal cliff” negotiations. Instead, the White House wants to reach an agreement on Social Security in

separate negotiations next year.

Both the Democratic and Republican plans are in addition to \$1 trillion in spending cuts agreed to last year by the White House and Congress as part of the deal to raise the federal debt ceiling.

The White House quickly rejected Boehner's proposal on Monday, but did so in a manner calculated to signal that it is open to discuss all of the social cuts proposed by the Republicans. Echoing previous statements by Geithner and Obama, Gene Sperling, director of the White House National Economic Council, stressed that the main obstacle to reaching some kind of budget deal and averting the "fiscal cliff" was the Republicans' refusal to accept any increase in the income tax rate for the top two tax brackets.

On Tuesday, Sperling told a forum sponsored by the Campaign to Fix the Debt, "Recognition that we must raise rates on the highest-income Americans stands today as the critical key to unlocking the door to a bipartisan budget agreement." The Campaign to Fix the Debt is comprised of corporate CEOs who are using a \$60 million war chest to lobby Congress for a budget deal that sharply cuts social spending and raises revenues on the basis of a pro-corporate "reform" of the tax code.

Obama himself went out of his way in an interview Tuesday on Bloomberg TV to stress that he was proposing only a temporary tax increase on the wealthy, to be followed in 2013 with a tax "reform" that would slash tax rates to below their current levels. "And then let's set up a process with a time certain, at the end of 2013 or the fall of 2013," he said, "where we work on tax reform...and it's possible that we may be able to lower rates by broadening the base at that point."

He declared several times that he was anxious to cut entitlement programs, saying he was "prepared to work with the speaker and Democrats and Republicans to go after excessive health care costs in our federal health care system." Asked about calls from Republican leaders to raise the Medicare eligibility age and cut cost-of-living increases for Social Security beneficiaries, Obama said, "You know, I am willing to look at anything that strengthens our system."

In an effort to reassure Wall Street, he spoke of private White House meetings with dozens of CEOs and declared that his intention was "not to punish success or go after folks just because they're wealthy."

A number of prominent Democrats have openly backed key aspects of the Republican plan. Roger Altman, a Wall Street financier who served as deputy treasury secretary in

the Clinton administration, published a column Tuesday in the *Financial Times* in which he wrote: "Steps such as means testing Medicare, modernizing cost of living adjustment formulas and others could save another \$600 billion."

However the negotiations on the "fiscal cliff" pan out, they are seen on both sides as the prelude to a fundamental restructuring of social programs and taxes to slash the US deficit at the expense of the working class. Both sides understand that any deal reached before January 1 will represent a down payment on more far-reaching changes to be enacted in the course of 2013.

Republican columnist David Brooks aptly summed up the cynical calculations underlying the "fiscal cliff" talks and the consensus agenda of the ruling class in a column published Tuesday in the *New York Times*.

He wrote: "Republicans should go to the White House and say they are willing to see top tax rates go up to 36 percent or 37 percent [from the current 35 percent] and they are willing to forgo a debt-ceiling fight for this year. This is a big political concession, but it's not much of an economic one. President Obama needs rate increases to show the liberals he has won a "victory," but the fact that he is raising revenue by raising rates is not that much worse for the economy [read: the rich] than raising revenue by closing loopholes, which Republicans have already conceded."

Brooks continued: "In return, Republicans should also ask for some medium-sized entitlement cuts as part of the fiscal cliff down payment," setting the stage for "tax and entitlement reform bills" next year that would "bring the debt down to 60 percent of GDP by 2024 and 40 percent by 2037."

This is a formula for a savage austerity program similar to that being carried out currently in Greece, Portugal, Spain and other parts of Europe.



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