Obama, CEOs join forces in budget-cutting campaign

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14 December 2012

In coordinated statements this week, the Obama White House and leading representatives of American big business announced their support for an agreement that would combine minor increases in taxes on the wealthy with sweeping cuts in the entitlement programs on which tens of millions of elderly, retired and disabled people depend.

Obama signaled the intensification of the effort to use the concocted emergency of the "fiscal cliff" to justify historic cuts in entitlement programs, in an interview with Barbara Walters for the ABC News program *20/20*. The interview will be broadcast Friday night, but key quotes were made public by ABC on Tuesday evening.

On December 31, the tax cuts first enacted under the Bush administration in 2001 will expire. The Obama administration's position is to extend the tax cuts for individuals making under $200,000 a year and families making under $250,000, while allowing the tax cuts to expire for those above that level.

The result would be a modest increase in the tax rate on the wealthiest Americans from 35 percent to 39.6 percent, restoring the tax rate that prevailed in the 1990s, but well below the rates levied under the Reagan administration, let alone in the 1950s and 1960s, when the top income tax rate approached 90 percent.

Obama told his ABC interviewer he expected to reach an agreement with the leadership of the Republican-controlled House of Representatives on extending most of the Bush tax cuts. "I'm pretty confident that Republicans would not hold middle-class taxes hostage to trying to protect tax cuts for high-income individuals," he said.

He added, "If the Republicans can move on that then we are prepared to do some tough things on the spending side." Asked by Walters if this would include raising the eligibility age for Medicare from 65 to 67, Obama indicated he was willing to consider it, voicing only the reservation that such a change wouldn't cut enough from the federal deficit.

"When you look at the evidence it's not clear that it actually saves a lot of money," he said. "But what I've said is let's look at every avenue, because what is true is we need to strengthen Social Security, we need to strengthen Medicare for future generations, the current path is not sustainable because we've got an aging population and health care costs are shooting up so quickly."

In the Orwellian discourse that now pervades official Washington, "strengthening" a social program means not obtaining the resources necessary to sustain it, but slashing benefits or eligibility to the level set by increasingly inadequate funding. No big business politician, of course, suggests "strengthening" the CIA or Pentagon in that fashion.

The pace of discussions in Washington has picked up since a closed door, one-on-one meeting between Obama and House Speaker John Boehner December 9. The following day, the White House further reduced its proposal for total tax increases, from $1.6 trillion over ten years to $1.4 trillion, although Boehner has not budged on his initial offer of $800 billion. Several congressional Democrats said they were prepared to go as low as $1.2 trillion or even $1 trillion to reach a bipartisan deal.

The tax increases would be dwarfed by the spending cuts, which will make up between two-thirds and three-quarters of a deficit-reduction package totaling $4 trillion over ten years.

White House press secretary Jay Carney emphasized that the Obama administration had only one bottom-line demand, a token rate increase for the wealthy, and would not draw the line against any of the spending cuts demanded by the Republicans.

"There is a deal out there that's possible, and we do believe that the parameters of a compromise are pretty clear," Carney said Tuesday. "What is required is agreement by Republicans to some specific revenues that includes raising rates on the highest earners."

A powerful group of corporate executives publicly sided with the Obama administration's position in the ongoing negotiations with House Republicans.

The Business Roundtable, headed by former Michigan Republican Governor John Engler, issued a statement Tuesday dropping its opposition to tax rate increases for the wealthiest Americans, provided this was combined with significant cuts in entitlement programs. "We now feel that the only compromise after the election that's possible is one … of comprehensive and meaningful tax and entitlement reforms," said Engler.

Some 160 corporate CEOs signed the statement calling for tax increases and spending cuts, including many who had publicly endorsed Republican presidential candidate Mitt Romney and given significant amounts to his campaign. Among the signers were David Cote of Honeywell, Rex Tillerson of Exxon, Douglas Oberhelman of Caterpillar, Andrew Liveris of Dow Chemical, Jeffrey Immelt of General Electric and Alexander Cutler of Eaton.

Groups of financiers visited the White House for consultations, including a half dozen bankers December 10, among them representatives of Goldman Sachs and Morgan Stanley. A group of hedge fund managers met Obama adviser Valerie Jarrett December 12, while utility executives met with Gene Sperling, head of the National Economic Council, the same day. The Obama administration has proposed an overhaul of corporate taxes next year, including a reduction in the corporate income tax rate to no more than 25 percent.

JP Morgan Chase CEO Jamie Dimon summed up the position of the financial aristocracy with characteristic arrogance, in an interview on CNBC. Referring to the increase in income tax rates for the wealthy, Dimon said, "I don't personally care, okay?" But he warned, "No one says, 'Take a higher tax rate but we can still be irresponsible in spending,' So, you can try to de-link it all you want. No one is going to de-link that in the business community."

Translated into plain English, Dimon was saying, "Raise my taxes if you must, to provide political cover; I'm so rich it doesn't matter. But I want to be sure that Social Security, Medicare and Medicaid get hammered. So get on with it."

The *Wall Street Journal* reported Thursday that Obama "has been quietly sounding out Democratic leaders about spending-cut options," noting, "Obama has said he's willing to make decisions Democrats will find difficult if Republicans will bend on tax rates…"

Among the measures discussed, all included in the tentative deal struck between Obama and Boehner in July 2011, which ultimately collapsed, are raising the age of eligibility for Medicare, and reducing cost-of-living increases for Social Security and other government-funded retirement and disability benefits, which would cut $113 billion and $200 billion respectively over the next ten years.

Other measures are undoubtedly under discussion in the back-channel talks between the White House and congressional Republicans. *Washington Post* online columnist Ezra Klein cited Tuesday a comment by right-wing Republican Senator Tom Coburn of Oklahoma, who told him, "We've had conversations where [President Obama] told me he'll go much further than anyone believes he'll go to solve the entitlement problem if he can get the compromise."

The measures under discussion in Washington are both reactionary and deeply unpopular. A new McClatchy-Marist poll published Tuesday found that the only option for deficit reduction that had popular support was an increase in taxes on the wealthy, endorsed by more than 60 percent of those polled.

Every other option had majority opposition, in most cases overwhelming, including raising taxes on low and middle-income families (74 percent opposed), raising the eligibility age for Medicare (59 percent opposed), cutting Medicare spending overall (74 percent opposed), cutting spending on Medicaid benefits for the poor (70 percent opposed), reducing the tax deduction for home mortgage interest (67 percent opposed). Remarkably, self-identified Republican voters opposed every one of these proposals, as did self-identified Democrats.