

The fiscal cliff deal

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The bill passed by Congress averting tax increases and spending cuts dubbed the "fiscal cliff" sets the stage for a campaign by both parties and the US media for sweeping attacks on social programs that provide health coverage and retirement income for the elderly, the disabled and the poor.

A small increase in the income tax rate on the top 0.7 percent of households in the bill passed Tuesday will serve as window dressing for an assault on the basic social reforms of the 1930s and 1960s. The bipartisan deal worked out between the Obama White House and Democratic and Republican congressional leaders delays for two months \$110 billion in military and domestic spending cuts. This sets up a new crisis deadline in March that coincides with the legal need to raise the federal debt limit and the expiration of a "continuing resolution" funding the operations of the federal government.

With the tax side of the issue having been resolved in the fiscal cliff bill, the corporate-controlled media will demand that the "debt limit cliff" be averted by massive cuts in social spending, targeting Medicare, Medicaid and Social Security.

The use of artificial deadlines and phony crises to manipulate the public has become a basic modus operandi for managing the political affairs of the American ruling elite. The so-called fiscal cliff debate was from the start a cynical and stage-managed exercise, reflecting the inability of the political system to address the concerns of the masses and its complete servility to the financial aristocracy.

Part of the process is the creation by the media of a synthetic "public opinion" that has nothing to do with the real concerns and views of the population. Already on Wednesday, the morning news programs were speaking of a groundswell of popular anger over the failure of Congress to enact "real" deficit-reduction measures and serious cuts in social programs—this in the

face of repeated polls that show a large majority of the population opposed to such cuts.

Obama exemplified the hypocrisy of the Democratic Party in his remarks Tuesday night following passage of the bill by the House of Representatives. "A central promise of my campaign for president," he declared, "was to change the tax code that was too skewed towards the wealthy at the expense of working middle-class Americans. Tonight we've done that."

This is a lie. The bill actually makes permanent the income tax cuts for the rich instituted under Bush, with the exception of a modest increase in the rate for households making more than \$450,000 a year. It permanently sets the tax rate for capital gains and dividends at 20 percent, and keeps the threshold for estate taxes at \$5 million for individuals and \$10 million for couples, with an inflation adjustment that will raise the minimum to \$15 million by the end of the decade.

These rates are very low by historical standards, in most cases lower than those that existed prior to 2001. They constitute a massive windfall for the wealthy.

At the same time, the fiscal cliff bill raises taxes on 77 percent of households by allowing a 2 percent cut in the Social Security payroll tax to expire. A typical family earning \$50,000 will pay an additional \$1,000 in federal taxes in 2013.

Obama reiterated his commitment to attacking entitlement programs such as Medicare and Social Security. Calling Medicare "the biggest contributor to our deficit," he pledged to "reform that program." He went on to speak of "further unnecessary spending in government that we can eliminate."

The Congressional Budget Office issued a report estimating that the fiscal cliff agreement would add \$4 trillion to the federal deficit over the next decade, as compared to what would have happened had the spending cuts and tax increases set for the New Year

been allowed to take effect. Who is to pay for this “extravagance?”

A column by *New York Times* commentator David Brooks published Monday, entitled “Another Fiscal Flop,” makes clear the thinking within the ruling class. Brooks begins by declaring that the American “welfare state” has become “unaffordable.”

He places the blame on retirees, who have the effrontery to expect decent medical care and then use it to live longer. “Obligations to the elderly are already squeezing programs for the young and the needy,” he writes, demanding “deep structural reforms” of Medicare, including turning it into a poverty program by introducing means-testing.

“Ultimately,” he writes, “we should blame the American voters,” who have “decided they like spending a lot on themselves and pushing costs onto their children and grandchildren.” A prime example of this greed is the “average Medicare couple,” who consume “\$234,000 in free money” above what they pay into the system.

This calumny against the American people provides a hint of the savagery that animates the US corporate-financial elite, which will stop at nothing to reverse the social reforms of the last century and reduce the working class to poverty.



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