

Over 1 million US unemployed set to lose benefits after Christmas

## **Democratic, Republican negotiators reach agreement on austerity budget**

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US House and Senate negotiators reached agreement Tuesday on a budget that will leave in place over a trillion dollars in sequester spending cuts over 10 years, while slashing the retirement benefits of federal workers and military retirees and imposing regressive consumption taxes.

The brutal character of the bipartisan agreement is underscored by the fact that it makes no provision for the extension of federal extended jobless benefits, threatening over a million unemployed people with the loss of their only cash income the week after Christmas.

According to a *Washington Post* report published Tuesday, “[S]enior Democrats acknowledged that checks are likely to be cut off at the end of the month for more than a million people who are out of work.”

By the White House’s own figures, failure to extend the unemployment benefits will end cash assistance for 1.3 million people immediately after the holidays and impact an additional 3.6 million people in the first half of 2014.

President Barack Obama endorsed the deal, calling it “a good first step” and urging “members of Congress from both parties” to pass a budget “based on this agreement.”

Obama added that “this agreement replaces a portion of the across-the-board spending cuts known as ‘the sequester’ that have harmed students, seniors, and middle class families.”

In fact, the proposed two-year budget restores only a small fraction of the more than \$1 trillion in cuts scheduled over the next ten years, and the reduced level of cuts is more than offset by regressive consumption taxes in the form of “user fees,” increased pension

costs for federal civilian workers, cuts in retirement benefits for military employees and further reductions in Medicare spending.

Above all, the deal leaves intact the mechanism of automatic across-the-board cuts in domestic discretionary spending known as sequestration, which took effect last March and has already resulted in \$85 billion in cuts, in part through unpaid furloughs affecting hundreds of thousands of federal workers.

Sequestration, which was initially proposed by Obama and the Democrats during the US debt ceiling crisis in 2011, mandates cuts that in their totality will devastate a wide range of social programs and reduce discretionary social spending as a percentage of the US gross domestic product to its lowest level since the 1950s.

The deal exposes the cynicism of the Obama administration and the Democratic Party, which publicly denounced sequestration, even though they played the key role in its enactment, and pledged to end it. As financier Steven Rattner, the Obama administration’s lead adviser in the restructuring of the auto industry, boasted in the *New York Times* Tuesday: “Over the past two years, outlays on domestic programs have fallen from \$514 billion to \$469 billion, a hefty 8.8 percent reduction—and that’s before adjusting for inflation.”

Under the proposed budget agreed to on Tuesday, \$63 billion in government spending is scheduled to be cut back in 2014 and 2015, or about one third of the total in sequester cuts slated for those years, will be restored. The biggest chunk of restored funds will go to the Pentagon.

This modest rollback in sequester cuts will be more

than offset by an additional \$85 billion in deficit reduction over the next ten years. One of the largest cuts, amounting to \$12 billion over a decade, will be to retirement benefits for federal civilian workers and military employees.

Beginning January 1st, new federal civilian employees will increase their contributions to their pensions by 1.3 percent, slashing spending by \$6 billion. This will come on top of a three-year pay freeze for federal workers and the loss of as much as 15 percent of their income as a result of sequester-related unpaid furloughs.

Military retirees between the ages of 40 and 62 will see their cost-of-living adjustments slashed, adding another \$6 billion in deficit reduction.

The budget proposal also adds another \$22 billion to the existing sequester cuts by extending cuts to Medicare providers through 2022 and 2023.

The budget will raise \$12.6 billion by increasing security fees for airline passengers and another \$8 billion by charging higher fees for insuring private-sector pensions.

The budget agreement is only the latest in a series of recent attacks on the working class led by the Obama administration. Earlier this month, a federal judge approved the Detroit bankruptcy, with the support of the White House, setting the stage for massive cuts in Detroit city workers' pensions and similar attacks on public employee pensions across the country.

In November, food stamp benefits were slashed nationwide for the first time in US history, eliminating the equivalent of two days of food every month for 47.7 million people. Congress is scheduled to vote on a farm bill that is expected to slash billions more from the food stamp program over the coming decade.

Every day brings new revelations that expose the Affordable Care Act, which Obama and his political allies have sought to present as a democratic and egalitarian measure, as nothing more than a scheme to cut medical care and increase out-of-pocket costs for working people.

This week's budget agreement comes just a week after Obama gave a speech in which he called income inequality the "defining challenge of our time" and declared that "over the course of the next year, and for the rest of my presidency" his administration would "focus all our efforts" on narrowing the gap between

rich and poor. Obama's support for Tuesday's austerity budget thoroughly exposes these claims.

The bipartisan budget deal is one more demonstration that behind the much hyped partisan wrangling there is complete unanimity between the two big business parties on intensifying the assault on the working class and funneling ever more of the nation's wealth into the hands of the corporate-financial elite.

Behind all the talk of "partisan gridlock," which took the form in October of a partial shutdown of the federal government, is a bipartisan conspiracy, spearheaded by the Obama White House, to impoverish ever-wider sections of the working class.

Democratic Senate Budget Committee Chair Patty Murray, who co-chaired the budget conference committee, made light of the supposedly unbridgeable differences between the two parties at a press conference Tuesday and stressed the underlying agreement of the Democratic Party with the Republicans.

Speaking of her Republican co-chair Paul Ryan—the House Budget Committee chairman, Republican vice presidential candidate in 2012, and author of budget plans that would dismantle Medicare—she said, "We cheer for a different football team. We catch different fish. We have some differences on policy, but we agree that our country needs some certainty and we need to show that we can work together."



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