

Obama's "pro-middle class" budget: Cut corporate taxes, raise military spending, slash Medicare

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On Monday, President Barack Obama presented his budget proposal for fiscal 2016, described by the *New York Times* as an "unfettered case for spreading the wealth."

In reality, the budget proposal, cynically packaged and promoted as a populist boon to the middle class at the expense of the rich, is dominated by corporate tax cuts, expanded military spending, and cuts to Medicare.

These are accompanied by a grab bag of social and infrastructure spending proposals, trivial in and of themselves, which are proposed solely to make the budget appear to favor the "middle class." As Obama and the Democrats know perfectly well, the supposedly "progressive" elements of his budget will be rejected by the Republican Congress, while the pro-corporate and militarist meat of the proposal will be enacted.

The real character of Obama's budget was signaled by the location he chose to unveil it. The president gave the press conference announcing the budget at the Department of Homeland Security in Washington, where he emphasized that he would significantly expand spending on the military and domestic security.

Obama declared, "We need to fund the department [of Homeland Security], pure and simple. We've got to put politics aside, pass a budget that funds our national security priorities at home and abroad." The budget, he added, "gives us the resources to confront global challenges, from ISIL to Russian aggression."

This was a reference to his proposal to lift caps on military, intelligence and domestic security spending imposed as part of across-the-board cuts mandated by the so-called "sequester" law that came into effect in early 2013.

Obama's budget proposal would increase Pentagon

spending by seven percent, adding an additional \$38 billion to bring the total defense budget to \$534 billion. Obama is separately proposing \$51 billion in additional funding for the wars in Iraq and Syria, including money to back the so-called "moderate" opposition in Syria, as well for as the ongoing US troop presence in Afghanistan.

The budget calls for the corporate tax rate to be cut to 25 percent for manufacturers and 28 percent for other corporations, down from the current rate of 35 percent.

The proposal would also allow US corporations to repatriate past profits generated overseas at a tax rate of only 14 percent. Foreign profits would be taxed at 19 percent in the future. Currently, US corporations pay a rate of 35 percent on foreign profits, which many corporations avoid by keeping their foreign earnings abroad.

These tax cuts are accompanied by \$400 billion in cuts to Medicare, Medicaid and the Department of Health and Human Services. The budget proposes to raise \$66 billion over ten years by charging higher Medicare premiums to upper-income patients, a move that would undermine Medicare's status as a universal entitlement and open the door to means testing and the transformation of the government health insurance program for seniors into a poverty program.

The plan would cut another "\$116 billion in Medicare payments to drug companies for medicines prescribed for low-income patients," according to the *New York Times*. It would also slash \$100 billion for the treatment of Medicare patients following their discharge from the hospital, affecting primarily the elderly.

The increases in military and security spending, corporate tax reductions and entitlement cuts, which

form the core of the budget proposal, are coupled with a series of social spending increases and tax hikes on the wealthy which are certain to be stripped away by the Republican-controlled Congress.

The proposed tax increases include a 0.07 percent fee on some 100 large financial corporations and an increase in the capital gains tax from 24.2 percent to 28 percent for couples making more than \$500,000 per year.

These would ostensibly be used to finance a plan to pay tuition—but not increase per-pupil funding—at community colleges, which would cost \$60 billion, as well as an \$80 billion proposal for increasing child care tax credits. The budget also proposes \$478 billion in infrastructure spending over six years. These projects would be contracted out to private for-profit companies and would not take the form of government-run public works programs.

In announcing his budget, Obama claimed that his proposal would undo the effects of the sequester budget cuts. Since their implementation, Obama and Congress have taken measures to shift the burden of the cuts to social programs and away from the military.

Obama made clear that he would not allow sequester cuts to defense spending, declaring that “if Congress does nothing to stop sequestration, there could be serious consequences for our national security, at a time when our military is stretched on a whole range of issues.” He added, “I’m not going to accept a budget that locks in sequestration going forward.”

The token social spending measures in the budget are aimed at perpetuating the fraud that the Democrats are the party of the “middle class”—as opposed to the pro-business Republicans—in preparation for the 2016 presidential election.

Despite the constant talk in the media about “partisan gridlock,” the two parties represent different factions of the same ruling oligarchy and pursue a common agenda of austerity, militarism and the build-up of the repressive powers of the state.



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