

Cutting the Budget Deficit Undermines Social Security and Medicare, Depresses Purchasing Power

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The National Commission on Fiscal Responsibility and Reform is sounding the alarm around deficit spending. It is using [exaggerated rhetoric](#) to heighten deficit fear at a time when more spending is needed.

The commission's rhetoric is working against the antidote for the economy – spending to restart job and economic growth. Forty leading economists, including Nobel prize winners, issued a statement calling for more spending in the short-term. They recognized debt as a long term problem, but urged immediate increased spending to avoid prolonging and deepening the economic collapse, writing:

“We recognize the necessity of a program to cut the mid- and long-term federal deficit but the imperative requirement now, and the surest course to balance the budget over time, is to restore a full measure of economic activity. As in the 1930s, the economy is suffering a sharp decline in aggregate demand and loss of business confidence. Long experience shows that monetary policy may not be enough, particularly in deep slumps, as Keynes noted.

“The urgent need is for government to replace the lost purchasing power of the unemployed and their families and to employ other tax-cut and spending programs to boost demand. Making deficit reduction the first target, without addressing the chronic underlying deficiency of demand, is exactly the error of the 1930s. It will prolong the great recession, harm the social cohesion of the country, and continue inflicting unnecessary hardship on millions of Americans.”

[For list of signers and more information click here.](#)

The Obama deficit commission is working against this urgent need. And, in pushing proposals that will weaken the middle class they risk real anger from American voters who are already unhappy with the administration's handling of the economy. The commission is [talking about cuts](#) to Social Security, Medicare and middle class benefits like the home mortgage deduction rather than focusing on the three causes of the deficit: massive war and weapons spending, giant tax cuts for the wealthy and the faltering economy.

The time is now to build opposition to these recommendations and urge Congress and the

administration to cut programs that will not make the economy worse for most Americans. When [I testified before the commission I urged:](#)

Cuts in military spending as this makes up half of U.S. discretionary spending and is filled with waste and bloat.

Cuts to corporate welfare, especially to the oil and gas industry which is scheduled to receive billions in tax breaks despite massive profits.

Taxes on the purchase of stocks, bonds and derivatives where even a tiny micro tax could raise tens of billions annually.

Taxes on the estates of the wealthiest 97.5% of Americans which could raise more than \$10 billion annually.

[Click here to read my full testimony.](#)

These are just a few of the areas where cuts in spending and taxes on wealth could balance the budget and avoid the need to cut Social Security and Medicare or tax the middle class.

In fact, Social Security is in good financial shape for upcoming decades and merely raising the cap on Social Security taxes will make the program secure for the 21st Century. In the long run the economy needs a stronger elderly economic class. The loss of pensions, stock market collapse and savings transformed to debt leaves too many Americans dependent on the measly \$14,030 annual average benefits Social Security provides.

Medicare's challenge is not the Medicare program but the cost of health care. Cuts to Medicare will make health problems and the cost of health care more expensive. Unfortunately, the new Obama health law does not control costs and the president did not even consider the real solution for health care: ending the waste of the private insurance industry by making improved Medicare available to all Americans.

The commission is preparing its report for after the mid-term elections this November. But, it is before the elections when voters have the most power. We need to demand elected officials protect Social Security and Medicare by cutting spending for weapons and war, and raising tax dollars from the wealthy – who profited from a decade of deficit spending, first. We also need to urge them to consider taxes on wealth before considering taxes on workers. We need to let them know that our votes are dependent on them taking these actions.

You can begin to respond to the deficit commission now by writing President Obama and your representatives in Congress. [You can do so by clicking here.](#) And, to begin to build opposition to the deficit commission and urge real solutions to the economy send this article to everyone you know and urge them to take action.

Tell elected officials that to solve the deficit problem, they should focus on the causes of the deficit: nearly the entire deficit for this year and projected into the foreseeable future are the result of three things: the ongoing wars in Afghanistan and Iraq, the Bush tax cuts for the wealthy and the recession. The solutions are: end the wars, allow the tax cuts to expire and restore robust growth.

Stopping the deficit commission from making things worse is only a first step. Americans need to organize to re-make the economy. To end the wealth divide which has allowed the top 1% to hoard the nation's wealth, end concentration of corporate power which not only adds to the wealth divide but stifles entrepreneurship and weakens democracy and stop crony capitalism which uses tax dollars to enrich a few. Much work is needed to democratize the U.S. economy so it is transparent and benefits all Americans not the economic elite. But the immediate task at hand is to stop the deficit hawks from making things worse as they are poised to do. An outcry from Americans can stop their worst proposals before they gain momentum.

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