

# Destroying the American Dream...

Political Washington keeps cutting vital social benefits

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Corporate greed and profits over people priorities launched nationwide OWS protests in hundreds of US cities for change.

Mindless of growing public rage, political Washington keeps cutting vital social benefits needing increases during hard times.

With real unemployment approaching 23%, earlier cuts affected:

Pell Grants help for college tuitions;

federal wages;

the Low Income Home Energy Assistance Program (LIHEAP) to help impoverished families have heat in winter;

the Children's Health Insurance Program (CHIP);

community healthcare centers;

nonprofit health insurance cooperatives;

HIV/AIDS, tuberculosis, and other disease prevention programs;

WIC (Women, Infants, and Children) grants to states for supplemental foods, healthcare, and nutrition education for low-income families;

Head Start, providing comprehensive education, health, nutrition, and parent involvement services to low-income families with children;

the Supplemental Nutrition Assistance Program (targeted earlier with more coming), providing food stamps for poor households;

community development block grants for housing, overall reducing HUD's budget by \$1.1 billion;

Federal Emergency Management Agency (FEMA) first-responder funding;

energy efficiency and renewable energy programs;

Environmental Protection Agency (EPA) clean/safe water and other projects;

National Institutes of Health (NIH) medical research;  
the National Park Service;  
vital infrastructure and transportation needs; and  
other non-defense discretionary spending.

New cuts will sustain Wall Street, militarism, favoritism, waste, fraud, and other rewards for Washington's usual special interests. They'll benefit at the expense of ordinary people losing out.

Increasingly on their own sink or swim, Obama calls it "shared sacrifice." Ordinary people sacrifice to let business and super-rich elites share.

Washington's new FY 2012 budget agreement cuts billions more from vital domestic programs. LIHEAP lost another \$1.2 billion, a 25% reduction year over year. Labor, health and education allocations dropped \$1.4 billion, including \$225 million by eliminating 22 programs, many related to job training.

In addition, Pell Grants will end for another 100,000 students, and those getting them will only receive \$5,500 for another year. Overall, \$1.36 billion will be lost over several years.

Last August's Budget Control Act of 2011 established the Joint Select Committee on Deficit Reduction - aka Supercommittee.

After failing to agree on cuts by its self-imposed November 23 deadline, automatic reductions of \$1.2 - \$1.5 trillion will occur over the next 10 years, beginning in 2013.

Supposedly to be equally divided between defense and domestic programs, expect sustained military spending at the expense of gutting America's social contract. Either way, lost purchasing power means less spending, fewer jobs, and greater public anger than today's high levels.

#### Wrangling Over Extending Unemployment Benefits and Payroll Tax Cut

On December 31, both end unless congressionally extended and Obama agrees. On December 17, the Senate enacted both benefits through February 29, 2012. In addition, scheduled Medicare doctor reimbursement cuts were postponed.

Federally financed Fannie Mae, Freddie Mac and Ginnie Mae home buyers will pay an extra \$15 a month on a \$200,000 mortgage to cover the \$33 billion cost.

However, House Speaker John Boehner opposed the deal, telling Meet the Press on December 18:

It's "just kicking the can down the road. It's time to just stop, do our work, resolve the differences and extend this for one year. How can you have tax policy for two months?"

At issue, of course, is Republicans wanting greater domestic spending offsets in return for agreeing to these extensions. Still unresolved, time ran out as Congress prepared to adjourn for Christmas break.

On December 20, the House rejected the Senate bill. On January 17, the Senate adjourned until January 23. Throughout the holiday period into January, it'll hold nine pro forma sessions. Unfinished business remains unresolved until it returns.

Ahead of adjournment, Republicans extracted another major Obama concession after refusing to go along earlier. At issue is constructing a controversial 1,661-mile Alberta, Canada to Port Arthur, TX pipeline. For weeks, hundreds of environmental activists protested in front of the White House against it.

If completed, it'll carry toxic tar sands oil from Western Canada to refineries on America's Gulf coast. It'll pass through environmentally sensitive areas in six states, including waterways and the Oballala Aquifer. It's one of the world's largest. In America, it supplies about 30% of the nation's irrigation ground water.

Friends of the Earth says Keystone XL "will carry one of the world's dirtiest fuels: tar sands oil." Moreover, its route "could devastate ecosystems and pollute water sources, and would jeopardize public health."

If completed, it'll double America's dirty tar sands oil supply, making its environment more toxic. No matter the stakes, Big Oil wants it. So do Republicans and conservative Democrats. Obama once again conceded.

TransCanada Corporation will build it. It's spill-prone construction record assures trouble. It promised its Keystone I pipeline would leak once every seven years. In year one, it leaked 12 times or once a month on average. It was unprecedented in US pipeline history.

#### Washington's Destructive Payroll Tax Extension

Leaving in place a 2% cut (perhaps indefinitely) is a scheme to drain hundreds of billions of dollars from the Social Security Trust Fund. Doing so will irreparably weaken its ability to pay future benefits. The idea, of course, is destroying it altogether, perhaps first through privatization.

At issue is allegedly extending another one-year tax holiday. It's easy to enact cuts, but hard ending them. Doing so results in a substantial tax increase. It amounts to \$2,000 on \$100,000 a year earners, \$400 for those making \$20,000.

In other words, restoring it means a nearly 50% tax increase for 94% of American workers. Imagine doing it any time, but consider the harm in hard times.

However, maintaining the cut indefinitely will cause massive benefit reductions and eliminate any chance for improving them, notably for society's poor and disadvantaged.

In addition, middle America will be harmed, violating Franklin Roosevelt's pledge that:

"We put those pay roll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program. Those taxes aren't a matter of economics, they're straight politics."

Key is that maintaining a payroll tax holiday of any amount is another step toward privatization. It's also a sure way to kill America's most important ever poverty reduction

program.

Doing so will replicate how 401(k)s destroyed private pensions, leaving workers at the mercy of marketplace uncertainties that can wipe out life savings during hard times.

Key also are better ways to provide stimulus without harming Social Security. According to the Center for Budget and Policy Priorities (CBPP), one way is by reinstituting the 2009 Making Work Pay Tax Credit. It expired at yearend 2010. Doing so would add much more stimulus than a payroll tax holiday.

It would give workers a refundable tax credit, increasing the size of the paychecks. At 6.2% of earned income, it provides maximum \$400 for working individuals, \$800 for married taxpayers filing joint returns.

A payroll tax holiday is a bad idea any time, besides doing little to stimulate economic growth. "The most efficient way to boost consumer spending is to put money into the hands of people who will spend it quickly rather than save it." It's most effective when low and middle-income workers get it, not high-end ones who'll save, not spend, their windfall.

"A payroll tax holiday does not score well on this front – too little of the benefit goes to lower-income households struggling to make ends meet and too much goes to higher-income taxpayers, who are likely to save a significant (portion) of any new resources they receive."

The Making Work Pay Tax Credit doesn't harm Social Security. Indefinite payroll tax holiday extensions may destroy it. Republicans have long sought it, as well as ending Medicare since its 1965 enactment.

With considerable help from Democrats and Obama, their chance finally arrived. Only public anger may stop them.

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