

Obama, Republicans move toward deal to slash social programs

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The orchestrated negotiations between the White House and Republican House Speaker John Boehner on a deficit-reduction deal to avert the so-called “fiscal cliff” moved toward their predictable conclusion over the weekend, when Boehner offered to support a token tax increase on the super-rich in return for massive cuts in social entitlement programs.

In a telephone call to Obama on Friday, Boehner dropped his opposition to any increase in income tax rates and said he would endorse allowing the rate for households making more than \$1 million a year to rise from 35 percent to the Clinton-era rate of 39.6 percent. He also said he would support raising the national debt ceiling for another year.

In return, Boehner demanded \$1 trillion in cuts in the core federal health care programs for the elderly and the poor, Medicare and Medicaid, and the federal retirement benefit program, Social Security. Boehner reportedly said he would drop Republican demands for an immediate increase in the eligibility age for Medicare from 65 to 67, but would insist on changing the formula for cost-of-living increases for Social Security and other government-funded retirement and disability programs so as to reduce benefit increases for tens of millions of people.

Republicans have also called for expanding means testing of Medicare, the first step to ending the health insurance system for seniors as a universal program and turning it into a poverty program. This would make it make it easier to starve the program of funds and ultimately destroy it.

While Obama formally rejected Boehner’s proposal, leading Democrats praised it as a “step forward” and a “breakthrough.” Obama and Boehner met at the White House Monday along with Treasury Secretary Timothy Geithner, the third face-to-face, closed-door meeting between the president and the top Republican in the House of Representatives in less than two weeks.

Obama has sought throughout the “fiscal cliff” talks to insist on an increase in tax rates for the rich in an attempt to provide a fig leaf of “fairness” to his historic assault on the basic social programs enacted in the 1930s and 1960s. In so doing, he is seeking not only to confuse and deceive the working population, which overwhelmingly supports higher taxes for the wealthy and opposes cuts in entitlement programs, he is also working to ease the way for his liberal and pseudo-left supporters to line up behind his anti-working class program.

Obama has called for allowing the Bush-era tax cuts to expire on January 1 for households

making less than \$250,000 a year, while allowing the rates for those making more than \$250,000 to rise. At the same time, he and other leading Democrats have repeatedly said that no proposals for cuts in entitlement programs and other social spending are off the table, as long as the Republicans accept some token rise in tax rates for the wealthy.

The immediate aim of the current talks, held within the framework of an artificial end-of-the-year deadline before some \$600 billion in tax increases and automatic spending cuts begin to take effect (the “fiscal cliff”), is to reach an interim bipartisan deal for spending cuts and temporary tax increases on the rich that will serve as a down payment on more far-reaching austerity measures to be worked out in the course of 2013.

Part of the agenda for the new year is “comprehensive tax reform,” which will supplant any minor tax increase on the rich with major cuts in corporate as well as income tax rates.

Obama has thus far publicly proposed spending cuts totaling \$600 billion as part of such a deal, but has signaled his readiness to raise that figure as part of an agreement. Any new cuts will come on top of \$1 trillion in cuts agreed to last year as part of the deal to raise the debt limit and \$700 billion in reductions in Medicare spending incorporated into Obama’s 2012 health care overhaul.

Both the cynicism and anti-working class character of the administration’s strategy are underscored by the support it has generated among corporate CEOs. Last week, the Business Roundtable officially endorsed Obama’s position of a tax increase for the rich combined with massive cuts in social programs. Corporate and bank CEOs and hedge fund managers have streamed into the White House in recent weeks for closed-door talks with Obama and other top administration officials.

Boehner’s proposed increase in the marginal tax rate for households with incomes above \$1 million, assuming that the multi-millionaires actually paid the increased taxes, would affect a mere 443,000 households, or about 0.3 percent of American households. These families take in an average of \$3.3 million a year, and their tax bills would rise by an average of \$134,000 in 2013. That comes to only 0.4 percent, on average, of their income.

On the other side of the ledger are 48 million Americans who rely on Medicare, more than 50 million on Medicaid, and 54 million who receive Social Security benefits. The living standards of these millions of people will be severely affected by the structural changes and cuts that are being prepared by both big business parties.

Some prominent Democrats are already suggesting that Obama’s threshold of \$250,000 should be raised to \$375,000, \$500,000 or \$700,000. Earlier this year, Democratic House Minority Leader Nancy Pelosi and Vice President Joseph Biden separately spoke of raising the tax rate on those making more than \$1 million. Others have suggested that the tax increase for the wealthy be pared back to one or two percentage points above the current top rate of 35 percent.

Meanwhile, White House spokesman Jay Carney reiterated last week that Obama “is prepared to make tough choices” when it comes to slashing entitlement programs. Charles Schumer of New York, the third-ranking Democrat in the Senate, last week said of the Republicans, “We’re waiting for them to go to the top rate and that opens the door to everything.”

Right-wing Republican Senator Tom Coburn of Oklahoma was quoted last week as saying, "We've had conversations where [Obama] told me he'll go much further than anyone believes he'll go to solve the entitlement problem if we can get the compromise."

Last week in an interview with Barbara Walters of ABC News, Obama himself predicted that the Republicans would drop their categorical opposition to raising tax rates on the rich and added, "If the Republicans can move on that, then we are prepared to do some tough things on the spending side." Asked about raising the eligibility age for Medicare, Obama replied, "[W]hat I've said is let's look at every avenue."

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