

Obama's Deficit Plan will Impoverish Main Street America

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President Obama announced the outlines of his deficit plan, leaving a lot up for negotiation. He planted his poll at the center right and where he ends up, with his history of compromising to bring right wing Republicans and Democratic corporatists together, can only be worse.

*I was pleasantly surprised to see groups that usually side with Obama even criticizing him. True Majority/US Action wrote "**Obama wants to cut \$4 trillion, but not \$1 from the Pentagon,**" in their headline. They go on to point out that "President Obama today proposed reducing the deficit through almost [\\$800 billion in cuts](#)." They correctly point out that the country needs jobs not deficit cuts, and if cuts are going to be made they should not be made in domestic programs where funds are needed but in the military writing: "[Over half of the money Congress makes decisions on goes directly into the Pentagon's pocket](#), and that doesn't count the money for actual wars. But instead of cutting the Pentagon budget, Obama is proposing over \$700 billion in cuts to programs that benefit the poor, seniors and children, while only trying to save \$400 billion on war and weapons."*

When there are no real cuts for the Pentagon, just slower growth, it means that the rest of discretionary spending will face real cuts. Everything from education to the environment, health care to safety will be cut and every American will feel it.

When it comes to taxes, the president is seeking small increases on the wealthiest. A critical part of solving the economic problems in the United States, not just the deficit problems, is fixing the dramatic upward shift of income and wealth to the economic elite. The corporate cronyism of the last three decades has left the middle class, working class and poor with few resources, but the wealthiest have become gluttonously rich.

The vast majority of the income gains in the United States over the last three decades have gone to the richest 5% of the population with the greatest gains in the top 0.5%. This funneling of wealth to the top came as a result of policies that were explicitly designed to redistribute income upwards beginning with President Reagan's "trickle down economics" and continuing with the Bush tax cuts and the Obama/Bush Wall Street bailouts. In fact, during the economic expansion from 2002-2007 the top 1% captured two-thirds of income growth. Now, the top 1% has 70% of the wealth of the nation. To balance the budget, the government needs to go where the money is. As a result, it is far more appropriate to tax the richest that have prospered then to cut essential services for the broad middle class which has suffered.

The funneling of wealth to the top has been due to tax payer subsidies, tax breaks and

corporate welfare to concentrated corporate interests and tax breaks for the wealthiest Americans. This is a major source of the national debt. From 2001-2008, tax cuts for the wealthy cost the U.S. Treasury \$700 billion, all adding to the national debt.

There are 7,500 households in the United States with annual incomes over \$20 million. Over the last two and a half decades, this is the group that has profited from a tax system designed to favor the wealthiest. America's highest earners – the top 400 – have seen their share of income paid in federal income tax plummet from 51.2% in 1955 to 16.6% in 2007, the most recent year with top 400 statistics available. Congress should boost the top tax rate to 50% on annual incomes over \$5 million and to 70% on incomes over \$10 million. This would generate an additional \$105 billion annually, going a long way toward getting our fiscal house in order.

Last week the Institute for Policy Studies issued a report, [Unnecessary Austerity, Unnecessary Shutdown](#), which showed that austerity was not really needed. The report pointed out “we’re not broke. Not even close. The United States of America is awash in wealth. Our corporations are holding record trillions in cash. And overall individual wealth in the United States, the Credit Suisse Research Institute reported this past fall, has risen 23 percent since the year 2000, to \$236,213 per American adult.” They point to five tax revenue reforms that could raise a total of as much as \$4 trillion over the next decade. The vast majority of Americans would see no tax increase from any of these reforms:

- Establish several higher income tax brackets for millionaires: \$60-\$80 billion a year
- Scrap overseas corporate tax havens: \$100 billion a year
- Introduce a modest financial transaction tax: \$150 billion a year
- Revamp the estate tax to include progressive rates: \$25 billion a year
- End preferential treatment for income from dividends and capital gains: \$88 billion

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The largest caucus in Congress, the Progressive Caucus, put forward an alternative budget as well. The [CPC Budget](#) would balance the budget by 2014 and create a budget surplus by 2021. And, they were also able to reduce the deficit by \$5.7 trillion from 2012 to 2021. They do not do this with magic, they achieve these goals with common sense – they go to where the money is the wealthiest Americans and corporations that have profited from government programs, the military and security state apparatus that spends 66% of federal discretionary spending and by getting the economy growing again.

These are the types of taxes on the wealthiest Americans and corporations where President Obama should have started the discussion. If he had taken this approach and seriously cut the military budget he would surpass the deficit cutting goals of even the most extreme Republican and provide enough money to build a clean energy economy that would be sustainable for the 21st Century.

That brings me to my final point, health care. Rep. Paul Ryan has made destruction of Medicare the centerpiece of his deficit cutting plan. Medicare is the most cost-efficient part of U.S. health care that covers everyone over 65 years old. Ryan is seeking to give it to the insurance industry and funnel trillions of dollars to them. Sadly, this builds on the mistake of President Obama's health care bill. Rather than building on a successful public health program, Medicare, Obama and the corporate Democrats decided to further entrench the insurance industry. The hundreds of millions in annual tax subsidies they will get from ObamaCare are not enough. Their appetite for profits is unquenchable, now they want trillions by privatizing Medicare and Rep. Ryan is trying to sell it for them. On its face the proposal is absurd: how do you save money by putting in place a middleman who takes 15% to 20% of the funding of health care for its profits, executive salaries, advertising and investments in property and other profit centers? Ryan would leave seniors with insufficient funds to pay for health care.

On health care another Democratic loyalist got it right in reaction to the budget debate. Robert Reich wrote pointedly: [Mr. President: Why Medicare Isn't the Problem, It's the Solution](#). *He points out facts that every American paying attention should know. The U.S. spends "more on health care per person than any other advanced nation and get less for our money. Yearly public and private healthcare spending is \$7,538 per person. That's almost two and a half times the average of other advanced nations."* He points out a few more nuggets about the failed American health care system:

- America spends \$30 billion a year fixing medical errors – the worst rate among advanced countries.
- Administrative costs eat up 15 to 30% of all healthcare spending in the United States. That's twice the rate of most other advanced nations.
- A third of nursing hours are devoted to documenting what's happened so insurers have proof.

And, how is Medicare the solution? Well first off, many economists correctly point out that health care is the driver of deficits at the state and national levels of government for the foreseeable future. Cutting Medicare funding does not deal with any of the underlying problems in the U.S. health care system it just results in seniors having less health care. Reich points out: "Estimates of how much would be saved by extending Medicare to cover the entire population range from \$58 billion to \$400 billion a year. More Americans would get quality health care, and the long-term budget crisis would be sharply reduced." Improved Medicare, expanded to cover everyone is the solution to the U.S. health care crisis it results in lower costs, better coverage and better health outcomes for everyone in the United States.

Once again President Obama has missed an opportunity to get the country on the right track. And, if his previous negotiations with the Republicans are a measure of the likely outcome, his already weak proposal is going to get worse – worse for the middle class,

working class and poor. The military, security state and wealthy – they will be fine.

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