Six Reasons the "Fiscal Cliff" is a Scam: A Mechanism for Rolling Back Social Security, Medicare and Medicaid.

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Global Research, November 29, 2012
Alternet

Region: USA
Theme: Global Economy, Poverty & Social Inequality

The so-called "fiscal cliff" is a mechanism for rolling back Social Security, Medicare and Medicaid.

Stripped to essentials, the fiscal cliff is a device constructed to force a rollback of Social Security, Medicare and Medicaid, as the price of avoiding tax increases and disruptive cuts in federal civilian programs and in the military. It was policy-making by hostage-taking, timed for the lame duck session, a contrived crisis, the plain idea now unfolding was to force a stampede.

In the nature of stampedes arguments become confused; panic flows from fear, when multiple forces – economic and political in this instance – all appear to push the same way. It is therefore useful to sort through those forces, breaking them down into separate questions, and to ask whether any of them justify the voices of doom.

First, is there a looming crisis of debt or deficits, such that sacrifices in general are necessary? No, there is not. Not in the short run – as almost everyone agrees. But also: not in the long run. What we have are computer projections, based on arbitrary – and in fact capricious – assumptions. But even the computer projections no longer show much of a crisis. CBO has adjusted its interest rate forecast, and even under its "alternative fiscal scenario" the debt/GDP ratio now stabilizes after a few years.

Second, is there a looming crisis of Social Security, Medicare and Medicaid, such that these programs must be reformed? No, there is not. Social insurance programs are not businesses. They are not required to make a profit; they need not be funded from any particular stream of tax revenues over any particular time horizon. Reasonable control of health care costs – public and private – is necessary and also sufficient to keep the costs of Medicare and Medicaid within bounds.

Third, would the military sequestration programmed to start in January be a disaster? No, it would not be. Military spending is set in any event to decline – and it should decline as we adjust our military programs to our national security needs. The sequester is at worst harmless; at best it's an invitation to speed the process of moving away from a Cold War force structure to one suited to the modern world.

Fourth, would the upper-end tax increases programmed to take effect in January be a disaster? No, they would not be. There is no evidence that the low tax rates on the wealthy encourage them to spend or invest, no evidence that higher tax rates would deter the spending and investment that they might otherwise do.

Fifth, would the middle-class tax increases, end of unemployment insurance and the abrupt end of the payroll tax holiday programmed for the end of January risk cutting into the main lines of consumer spending, business profits and economic growth? Yes, over time it would. But the effects in the first few weeks will be minimal, and Congress could act on these matters separately, with a clean bill either before the end of the year or early in the new one.

Sixth, what about all the other cuts in discretionary federal spending? Yes, some of these would be very damaging if allowed. Simple solution: don't allow them.

In short, Members of Congress: if you can, just pass the President's bill on middle-class taxes, and, if you can, eliminate the domestic sequester. Then, please go home. Enjoy the holidays. Come back in January prepared to extend unemployment insurance, to phase out the payroll tax holiday gradually, to restore stable funding to necessary programs and to start dealing with our real problems: jobs, foreclosures, infrastructure and climate change.

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The original source of this article is Alternet
