

“The Debt Ceiling” and Obama’s Budget Cutting Agenda

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In what was billed as the last press conference of his first term, US President Barack Obama laid out an agenda for his next term that will be focused on slashing hundreds of billions of dollars from federal health care and retirement programs, including Medicare and Social Security.

Obama couched his plans with a heavy dose of lying demagoguery, seeking to present his administration as a force of opposition against Republican demands for austerity. In fact, differences between the two parties center largely on tactical disagreements over the precise mechanism by which cuts will be imposed.

The bulk of the press conference was focused on threats from House Republicans to refuse to raise the US debt limit without an agreement on huge spending cuts. The debt ceiling, which is due to be breached sometime next month, must be raised by Congress. If Congress does not do so, the federal government will be unable to pay some of its bills.

In 2011, both the Democrats and Republicans utilized the a debt ceiling crisis—which resulted in the decision by several ratings agencies to downgrade US debt—to push through major austerity measures. These included several of the components of the “fiscal cliff.” At the very beginning of the New Year, Obama reached an agreement with Republicans to extend most tax cuts that were part of the cliff, while delaying automatic spending cuts for two months.

In insisting that the debt ceiling not be used as a “bargaining chip,” Obama is expressing the concerns of dominant sections of the ruling class that doing so could imperil confidence in the US dollar and American debt.

“While I’m willing to compromise and find common ground over how to reduce our deficits” Obama insisted, “America cannot afford another debate with this Congress about whether or not they should pay the bills they’ve already racked up.” He added, “Let’s give our businesses and the world the certainty that our economy and our reputation are still second to none.”

The preference of the Obama administration is that Republicans and Democrats work out, separately from the debt issue, major cuts in entitlement programs, along with “comprehensive tax reform,” which would involve the lowering of corporate and income tax rates and the elimination of some deductions.

As a model, Obama held up his “grand bargain” framework with House Republican Speaker

John Boehner discussed in 2011 and revived at the end of last year.

The discussions with Boehner reportedly revolved around some \$900 billion in spending cuts. Specific measures included raising the retirement age for Medicare eligibility from 65 to 67 and reducing cost-of-living increases for Social Security. These measures, which are in fact only the beginning of the cuts that are being planned, will lead directly to fewer elderly people with health insurance and an increase in poverty among retirees.

Spelling out the bipartisan agenda, Obama said at the press conference, “If the goal is to make sure that we are being responsible about our debt and our deficit—if that’s the conversation we’re having, I’m happy to have that conversation. And by closing some additional loopholes through tax reform, which Speaker Boehner has acknowledged can raise money in a sensible way, and by doing some additional cuts, including making sure we are reducing our health care spending, which is the main driver of our deficits, we can arrive at a package that gets things done.”

Obama referred to the huge cuts in health care in typical Orwellian language as “modest adjustments to programs like Medicare to protect them from future generations.”

In the same breath as he proposed cuts in these very programs, Obama criticized Republicans for seeking to “cut commitments that we’ve made on things like Medicare or Social Security or Medicaid.”

The changes to Social Security, which already pays retired workers far below what is required to meet expenses, would be particularly devastating. Major cuts in benefits are to be pushed through by altering inflation calculations to reduce the annual cost of living adjustment (COLA).

In a recent editorial criticizing this proposal (while at the same time insisting that changes in Social Security can and must be made), the *New York Times* noted that “the administration appears to have embraced [the change] as a worthy end in itself”—that is, that the cuts are almost certain to be included in any agreement. Altering the inflation formula, the *Times* noted, would “reduce benefits by some \$135 billion over 10 years, and far more in later decades.” This would all come directly from the income of retired workers.

The framework of the agreement that the administration hopes to reach was also made clear by the nomination of Jacob Lew, Obama’s chief of staff, to be treasury secretary. Lew, a former Wall Street executive, was the key Obama administration negotiator during the discussions over the “grand bargain” in 2011.

The thoroughly cynical posturing of the Obama administration cannot conceal the fact that in the past and current “debates” over the deficit, both the Democrats and Republicans are entirely agreed on the most basic issue: that while the corporate and financial elite pulls in record profits, the working class must be made to pay for the capitalist crisis through a drastic reduction of its living standards.

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