

Obama budget: Populist demagoguery and empty promises

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The budget proposal released Tuesday by the White House is more political posturing by Obama and the Democrats, as they seek to fool the American people with empty pledges of concern for the poor, the unemployed, and all the other victims of the crisis of American capitalism.

The goal is to disguise the real policy of both big business parties, the Democrats as much as the Republicans, which is to make the working class pay for the economic slump triggered by the 2008 Wall Street crash, which continues to this day.

For electoral purposes, the Democrats will claim that they support measures to create jobs and alleviate social inequality and point to Republican opposition to such elementary measures as increasing the minimum wage and renewing federal extended benefits for the long-term unemployed.

But it is noticeable that Obama made no reference to extended unemployment benefits or social inequality in his weekly Internet/radio address Saturday, or in remarks Tuesday prefacing the release of the budget.

Congressional leaders of both parties have downplayed any effort to restore extended unemployment benefits, either to the 2 million workers who have lost them since January 1, or to the 3 million more set to lose them during the remainder of 2014.

The document released Tuesday is not really a budget at all, in the sense of a blueprint for how the Obama administration proposes to spend money during the coming fiscal year, FY 2015, which begins October 1, 2014. The overall level of discretionary spending—money appropriated year-to-year, as opposed to continuing obligations like Social Security and interest on the federal debt—was set in December's bipartisan agreement, which covers both the current fiscal year and next.

The Obama administration does not challenge that agreement, which it embraced at the time. Instead, the White House proposes to add \$56 billion in spending to be paid for by an equivalent increase in taxes on the wealthy, principally by repealing the tax exemption of “carried interest,” which forms the bulk of the income of hedge funds and private equity firms.

This proposal is a sham, since the Democrats refused to cut that boondoggle for the super-rich when they were in control of both houses of Congress in 2009-2010. Wall Street worked through political stooges in the Democratic leadership like Senator Charles Schumer of New York to block several proposals to end the tax exemption.

Once the Republicans gained control of the House of Representatives, ensuring that no tax increase on Wall Street could possibly be enacted, the Democrats immediately embraced new taxes on “carried interest” with much populist tub-thumping about ending privileges for “fat cat” bankers and billionaires—privileges they had themselves assiduously protected.

Obama now reprises this dishonest and unconvincing performance as the tribune of the “middle class” against Wall Street, calling for “closing tax loopholes that right now only benefit the well-off and the well-connected.” (At the same time, he is raking in campaign contributions from big financial interests for Democratic candidates in the 2014 congressional elections).

There is political significance in the budget proposal, not in the empty demagoguery about higher taxes on the rich, but in the proposed distribution of the \$56 billion in increased spending, which Obama would split 50/50 between domestic social programs and the Pentagon.

In effect, Obama proposes to restore the entirety of

the cuts in military spending compelled under the “sequester” budget-cutting process that the White House and Congress adopted in 2011, which took effect early last year.

It is not clear where the \$28 billion for the military would go, whether to replace the sequester cuts dollar-for-dollar, or to provide a \$28 billion contingency fund for new military operations not yet paid for in the current budget, such as stepped-up intervention in Syria, or military action against Iran, or US intervention in the ongoing crisis in Ukraine.

Suffice it to say that the Democrats have now embraced the principle that even after the end of the war in Iraq, and with combat operations in Afghanistan supposedly winding down, there should be no reduction in the worldwide military activities of American imperialism.

As for the proposed \$28 billion in spending on domestic social needs, this would come largely in the form of tax credits, including making 5.8 million low-income childless workers eligible for the Earned Income Tax Credit and raising the EITC for another 7.7 million workers, as well as subsidies to offset the cost of child care and college education. Given the vast numbers of people involved, the actual per capita benefit would be small—about \$500 for each person receiving additional EITC credits.

The White House dropped one proposed attack on retirement benefits, the use of so-called chained CPI to calculate annual cost-of-living increases for Social Security. Obama embraced this measure, which artificially lowers future increases in benefits by distorting what the elderly spend their money on (grossly underestimating their expenses on health care, for instance), as part of a proposed budget deal with congressional Republicans.

White House deputy press secretary Josh Earnest made it clear that the pullback on chained CPI was only temporary, pending the next round of budget talks, likely after the November congressional elections. “This offer from the president remains on the table,” he said, but it was not incorporated in the budget because the Republicans had not agreed to make concessions in return.

As a result of the focus on tax credits, the domestic “spending” increase would not involve a dollar more in actual spending by the federal government. There

would be no restoration of the sequester cuts for the federal departments that provide domestic social services. These departments will experience either outright reductions in spending, or spending increases below the rate of inflation, meaning a cut in the level of services to be provided.

According to one summary of the budget, the departments of Education and Transportation will be held at the rate of inflation, receiving increases in discretionary spending of 1.9 percent and 2.2 percent respectively.

The Department of Labor will be cut by 1.7 percent, the Department of Interior, which includes Indian Affairs programs, will have spending levels frozen, the Department of Housing and Urban Development will see spending cut 3.3 percent, and the Environmental Protection Agency will be cut 3.7 percent.

These cuts are dwarfed by those in Health and Human Services, down 7.6 percent from last year, and the Department of Agriculture (which includes the food stamp program), down 7.9 percent.

The cuts in HHS are particularly revealing, since they demonstrate the Obama administration’s real attitude to health care spending, as the rollout of Obamacare continues. According to a *New York Times* summary, the budget “proposes substantial savings in Medicare, including cuts in payments for nursing homes and home health agencies.”

It also includes a reactionary provision to remove undocumented immigrants from the Medicare rolls and “explicitly require citizenship or lawful presence in the United States as a condition of getting Medicare.” Private Medicare Advantage plans would be required to take measures to have such immigrants “involuntarily disenrolled.”



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