

Fiscal Cliff Over, Now the Attack on the People Begins

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Last night, Congress passed a watered down fiscal cliff package that will raise taxes on everyone, but the worst is yet to come, and this “deficit cutting” measure contains some surprises.

Economist [Jack Rasmus highlights Obama’s comments](#) after passage which signal what we can expect:

“I am very open to compromise . . . Medicare is the biggest contribution to the deficit.” In fact, Medicare does not contribute to the deficit because it is funded by a separate tax, but Obama has signaled – expect cuts to Medicare and Medicaid. [Obama has been laying the ground work to cut social insurances since 2010.](#)

The “deal” only cut the deficit by \$620 billion of the bi-partisan goal of \$4 trillion so there are a lot of budget cuts ahead and they will not come from the military or national security state, they will come from the necessities of the people. Even if the U.S. had gone over the cliff cuts to the military were minimal, [DoDcuts scheduled to take effect in 2013 were only \\$24 billion](#), according to the Congressional Budget Office, much less than the oft-mentioned \$500 billion reported in the media. The \$500 billion are cuts over ten years, mostly backloaded to the out years. Thus these are cuts the military would likely never see.

The reason that the deal cut the deficit so little is because [Obama backed off his campaign promise to raise taxes on the top 2%](#), and instead only repealed the Bush tax cuts on the top 1.5%, those earning over \$400,000. As a result, rather than raising \$1.2 trillion in revenue, the deal only raised \$600 billion and part of that came from working people as payroll taxes were re-instated. The result will be more cuts on the rest of us – so [later this year the bi-partisan cut to corporate tax rates](#) can be passed.

The “deal” was not all about cuts, as [Matt Stoller writes](#), the deficit cutters were very generous to Goldman Sachs: “Goldman got \$1.6 billion in tax free financing for its new massive headquarters through Liberty Bonds.” Another gift to big finance and multinationals: a provision was included that allows U.S. multinationals to not pay taxes on income earned abroad at a cost \$1.5 billion to the budget.

And, the people will need their circuses as austerity hits so NASCAR got \$43 million in tax breaks over two years to build race tracks and associated facilities. Hollywood studios received \$150million in tax breaks for 2010 and 2011.

People facing foreclosure and living in underwater houses [lost the small foreclosure relief](#)

programs that existed and tax laws were set to treat any write-down on a mortgage as income (i.e. if a mortgage was written down by \$100,000 the tax payer had to pay taxes on \$100,000 income) but the cliff deal delayed that tax change for one year.

Taking care [of ill family members at home was dealt a set-back](#) with a provision in the Affordable Care Act designed to let millions of elderly and disabled people get help at home rather than be placed in institutional care being repealed.

There was [good news for Green energy](#) in the deal. Roughly a dozen provisions would extend credits and incentives for plug-in electric vehicles, energy-efficient appliances, biodiesel and renewable diesel, and other alternative energy initiatives.

Budget debates are how government sets its priorities and the fiscal cliff package shows where government's priorities are: low taxes on the wealthy and corporations, giveaways to business and take-aways from the American people. People can expect much worse in the months to come unless they get organized and mobilize against austerity in a big way. Elected officials will need to be scared by the public in a big way to stop the bi-partisan assault on the people.

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