

Leaked “Grand Bargain” Document Details Obama’s Plan for Cuts in Entitlement Programs

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In his first post-election press conference, President Barack Obama on Wednesday reiterated the claim that his focus in deficit-reduction talks with the Republicans is to provide jobs and help the struggling “middle class” recover from the economic crisis.

To this end, Obama declared, he is determined to reach a “balanced” compromise that will require the wealthy to “pay a little bit more.” In practical terms, that means, at most, slightly raising the income tax rates of the richest 2 percent of US households—those making more than \$250,000 a year—by allowing the Bush-era tax cuts for this income group to expire on January 1st.

Obama spoke, as always in the vaguest terms, of the need to “reform” Medicare and other social entitlements. He made no mention of the scheduled expiration at the new year of federally funded extended unemployment benefits, a cruel cost-cutting measure that will, if implemented, deprive over 2 million jobless workers of cash assistance.

The real social and class interests served by the administration’s fiscal policy were indicated by the next item on the president’s calendar—a closed-door White House meeting with the CEOs of 12 of the biggest US corporations, including General Electric, Walmart, American Express, Honeywell, Ford, IBM, Pepsico and Chevron. This gathering of multi-millionaires was convened to ensure that the demands of the corporate elite for drastic cuts in social spending and further tax cuts for big business would be carried out.

Obama’s pretense of “fairness” and concern for working people, against the backdrop of the supposed looming disaster of the “fiscal cliff,” is a cynical sham. It is a cover for a calculated and ruthless assault on all that remains of the social reforms of the 20th century—most centrally, Medicare, Medicaid and Social Security—combined with a restructuring of the tax system that will cut taxes for corporations and the rich and increase the tax burden on working people.

The far-reaching and reactionary substance of Obama’s social policy emerges very clearly in secret documents that were leaked last weekend relating to negotiations in the summer of 2011 between the White House and Republican House Speaker John Boehner over raising the US debt limit. In response to Republican demands for massive spending cuts in return for an agreement on raising the debt limit, Obama proposed a “grand bargain” to slash the federal deficit by \$4 trillion over ten years through a combination of cuts in social programs and increased revenues from “comprehensive tax reform.”

Obama proposed more than \$2 in cuts for every \$1 dollar in revenue increases (\$2.8 trillion in cuts, \$1.2 trillion in increased tax revenues). However, the talks broke down due to

opposition to any tax increases among House Republicans.

This led to the deal to raise the debt limit that set the stage for the more than \$700 billion in automatic across-the-board spending cuts and tax increases, beginning January 1, 2013, that are a major component of the so-called “fiscal cliff.” (See: “[What is the fiscal cliff](#)”?).

Speaking on NBC News’ “Meet the Press” program last Sunday, *Washington Post* investigative journalist and associate editor Bob Woodward announced that he had obtained a copy of the secret final offer from Obama to Boehner for a “grand bargain” on austerity and tax “reform.” NBC posted a portion of the document on the “Meet the Press” [web site](#).

Regarding the document, Woodward said, “But what it shows is a willingness to cut all kinds of things, like TRICARE, which is the sacred health insurance program for the military, for military retirees; to cut Social Security; to cut Medicare. And there are some lines in there about, ‘We want to get tax rates down, not only for individuals, but for businesses.’ So Obama and the White House were willing to go quite far.”

In fact, the document, dated July 19, 2011, spells out an unprecedented assault on social welfare programs and a pro-corporate revamping of the tax system that would have been politically unthinkable for Republican presidents from Reagan to George W. Bush.

On Medicare, the document proposed reducing spending by “at least \$250 billion” from 2012 to 2021 and “at least \$800 billion” from 2022 to 2031. This would be achieved, in part, by “alteration of the eligibility age for Medicare” and “adjustments to premiums collected for services and benefits currently covered under Part B and Part D.” In other words, the eligibility age for Medicare health coverage would be raised and premiums for a range of hospital and clinical services as well as for drugs would be hiked.

On Social Security, the document proposed changing the formula for the consumer price index (CPI) as applied to cost-of-living increases in benefits so as to slash outlays by \$112 billion over 10 years. The new CPI would also apply to veterans’ disability payments, cutting \$24 billion.

The proposal further stipulated: “Reduce the 75-year estimated shortfall of the Social Security program by 0.7 percent... as a percentage of taxable payroll, with a balanced package of tax and benefit changes.” In plain English: increase payroll taxes and decrease benefits.

In addition to these sweeping cuts in the two most basic entitlement programs, the document spelled out a list of additional reductions, including:

- * Civilian retirement, i.e., retirement benefits for civilian federal workers: \$33 billion
- * Military retirement: \$11 billion
- * TRICARE drug copayments/TRICARE for Life: \$16 billion
- * Postal reform: \$16 billion
- * Pension Benefit Guarantee Corporation: \$9 billion

- * Flood insurance: \$4 billion
- * Agriculture subsidies/conservation programs: \$33 billion
- * Nutrition assistance: \$2 billion
- * Higher education: \$10 billion.

On the tax side, the document proposed to “Enact reform that improves international competitiveness and increases incentives for companies to invest in the United States and succeed globally.” This is an open-ended formula for cutting business taxes and increasing profits through the decimation of social programs and the further impoverishment of the working class.

The document specifically endorsed cutting both corporate tax rates and individual income tax rates for the wealthy, with the injunction to “Reduce the number of individual and corporate income tax rates... reducing each rate to the lowest possible level consistent with the overall revenue target...”

This “get richer, quicker” scheme for the American ruling class, whether or not it is enacted in precisely the form outlined by the White House in July 2011, remains the basic agenda of Obama and the Democratic Party. This was underscored by William Daley, a former top executive at JPMorgan Chase who was White House chief of staff in the summer of 2011 and led the negotiations with Boehner and the Republicans.

Last week, Daley told Bloomberg News that there was “80 to 85 percent” agreement between Obama and Boehner at the time and that the “grand bargain” offer should serve as the starting point for new talks on deficit reduction. “It’s logical that that’s where you’d go back to, the points where there was either agreement or close to an agreement, and try to begin there,” Daley said.

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