

Sequester cuts boost corporate assault on American workers

By Kate Randall
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It is becoming increasingly clear that the so-called budget “sequestration” order signed Friday by President Obama not only threatens the jobs and social conditions of millions of workers and their families, it also signals a further shift of wealth to America’s corporate elite under what are already staggering levels of income inequality.

The order sets in motion \$85 billion in across-the-board cuts in 2013 that will impact a broad range of social services. Over the next decade, the sequester will slash federal spending by \$1.2 trillion.

The Obama administration and both big business parties are in agreement that the attacks on jobless benefits, education and other social programs triggered by the sequester are only the starting point for even more draconian cuts to come. The main targets of the next round of cuts will be the core programs that provide health care for seniors and low-income families and benefits for retirees—Medicare, Medicaid and Social Security.

The media presentation of the sequester as a symptom of “gridlock” and bitter policy differences between the Democrats and Republicans is a cynical fraud. While the corporate flunkies in the press promote the myth of “divided government,” the two big business parties move in lockstep ever further to the right.

Both parties embraced the sequester, which was initially proposed by the Obama White House, as the best means for imposing immensely unpopular cuts and creating the conditions for even more brutal austerity measures. In reality, there has never been a period in US history where there was such a degree of unanimity within the political establishment on basic policy issues—from war and subversion abroad to attacks on democratic rights and the social conditions of working

people at home.

Whatever disagreements exist are purely over tactical questions, such as the best means of packaging their common program of war and social reaction. There is no reform wing in the Democratic Party. Both parties are bribed and compliant instruments of Wall Street.

As working people brace for cutbacks in vital programs and mounting layoffs and unpaid furloughs, Wall Street is greeting the sequestration with enthusiasm. The budget cuts are viewed by America’s corporate aristocracy as a boon to the relentless assault on jobs, wages and working conditions it has carried out since the financial crash of 2008, producing record high profits and stock prices.

The *New York Times* led its Monday edition with a commentary on the growing chasm between the general population and the corporate elite. It noted the prevailing view in corporate boardrooms that any drag on revenues resulting from the negative impact of the cuts on economic growth will be more than offset by the opportunity to use growing social desperation as a lever to impose deeper wage cuts and more brutal speedup.

The article, headlined “Recovery in US Is Lifting Profits, but Not Adding Jobs,” began: “With the Dow Jones industrial average flirting with a record high, the split between American workers and the companies that employ them is widening and could worsen in the next few months as federal budget cuts take hold.”

With jobless levels hovering at about 8 percent, the *Times* noted, companies face little pressure to raise salaries, while productivity gains are allowing them to increase revenues and profits without adding workers. The newspaper described the current situation as “a golden age for corporate profits.”

It quoted a top executive at Bank of America Merrill

Lynch as saying, “the market wants more austerity.”

This is under conditions where the share of national income going to corporations is the highest since 1950 while the portion going to employees is the lowest since 1966. This trend, the *Times* points out, has accelerated since the crash and bank bailout of 2008. Corporate profits have risen since then at an annualized rate of 20.1 percent, while disposable income has increased by a paltry 1.4 percent.

“There hasn’t been a period in the last 50 years where these trends have been so pronounced,” Barclays economist Dean Maki told the *Times* .

Companies are eyeing the sequestration as an opportunity to make big job cuts. Louis R. Chenevert, CEO of Hartford, Connecticut-based United Technologies, told the *Times* that job cuts at the industrial conglomerate could range anywhere from several hundred to several thousand as a result of the budget cuts.

The company has been able to boost profits and slash jobs by pumping more and more productivity out of a reduced workforce. “There’s no doubt we will continue to drive productivity year after year,” Chenevert added.

The Federal Reserve has also played a key role in the rally on Wall Street. As a result of the Fed’s policy of keeping interest rates near zero and pumping trillions into the financial markets, corporate profits have increased to record levels while unemployment, particularly long-term joblessness, has become entrenched.

The *Times* writes not as a critic of these developments, but as a supporter that is nevertheless concerned by the social and political implications of the growth of discontent and anti-capitalist sentiment. It avoids any suggestion that the further enrichment of the corporate-financial elite at the expense of the working class is the result of the policies of the Obama administration.

In the days since the sequestration order, the administration has backed off from previous statements on the extent of hardship that will result from the cutbacks. The president and Democratic leaders have already reached a deal with the Republicans to keep the sequester in place at least until the end of the current fiscal year on September 30.

Having unleashed this assault on the population,

Obama and the Democrats are turning to other issues—immigration “reform,” gun control, the war in Syria and preparations for war against Iran, the attack on Medicare and Social Security—while barely bothering to conceal their indifference to the plight of workers and poor people.

As former White House deputy chief of staff Nancy-Ann DeParle told the *Wall Street Journal*, “He [Obama] can’t let himself be held hostage to the sequester. Most people don’t even understand it.”

Many soon will. US states, which receive about one-third of their revenue from the federal government, stand to lose about \$6 billion in federal money for K-12 education, Head Start and other programs.

Non-profits and other social organizations are preparing for worst-case scenarios in which they will see 5 to 8 percent cuts to programs servicing workers and the poor. More than 600,000 women, infants and children will be turned away from the WIC nutrition program by the end of the fiscal year.

The Department of Housing and Urban Development estimates that as a result of the sequester, 125,000 individuals and families are at risk of becoming homeless and the agency may be forced to remove an additional 100,000 formerly homeless people from shelters.

The 3.8 million long-term unemployed, whose ranks will grow under the impact of the cutbacks, will see their weekly benefits of \$292 cut by about \$32 as early as this month.

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