

# Reject the Fiscal Cliff, Tax the Rich, Invest in Infrastructure and Services



## A statement of the National Political Committee of the Democratic Socialists of America November 20, 2012

DSA rejects the “fiscal cliff” hysteria of the corporate establishment and the pressure for a “Grand Bargain” that would cut Social Security, Medicare and Medicaid. While unemployment remains high and economic growth slow, the government should not impose austerity measures that reduce essential programs that benefit the middle and working classes and that further shred the safety net for the most vulnerable. Rather, government policy should prioritize investments in job creation, public education and healthcare reform, while raising essential revenues by taxing the large corporations and wealthiest citizens who can afford to pay.

Immediately after the election, Wall Street-backed foundations such as Third Way and the Concord Coalition organized a “Campaign to Fix the Debt” to spin the election results as a mandate for a “bi-partisan” focus on reducing the deficit as the highest national priority. For decades the billionaire Pete Peterson has funded groups that claim that the universal entitlement programs Social Security and Medicare are bankrupting the nation and that their future growth must thus be drastically trimmed. These neoliberals scored an initial success in 2011 when the Simpson-Bowles Congressional Commission put to a vote a long-term “budget compromise” that would have instituted three times as much in budget cuts than in tax increases. But despite President Obama’s evident willingness to reach such a one-sided compromise, Tea Party insistence on no tax increases, even on the wealthiest, scuttled the deal. The “resolution” of this manufactured, alleged “budget crisis” was to postpone a decision on further deficit reduction until the end of 2012, hence the contrived “fiscal cliff.”

What is the fiscal cliff? If Congress makes no changes to the Budget Control Act of 2011, the Bush tax cuts will expire on January 1, 2013. In addition, automatic cuts of \$55 billion each in annual defense and “discretionary domestic” spending will begin. These tax increases and spending cuts, combined with the expiration of the FICA payroll tax cut and the end of extended unemployment benefits, will create a significant fiscal drag on the economy. The annual budget deficit will fall from over \$1 trillion in 2012 to \$500 billion dollars in 2013; and the resulting drop in aggregate demand from this combination of spending cuts and increases in taxes would almost definitely cause a double-dip recession.

Like other progressive groups, DSA rejects the notion that some “unified” fiscal cliff must be addressed in the lame-duck session of Congress. It is in fact a “fiscal obstacle course” that Congress should address without panic early in 2013, while heeding the election results. A progressive solution would include restoring all automatic domestic cuts, while making more strategic and deeper cuts in defense procurement spending. The revenue for expanding domestic social welfare spending can be raised by ending the Bush tax cuts for the top 2% and corporate tax-giveaways, while instituting a modest financial transaction tax on stock and bond transactions. In addition, Congress should restore the tradition of not requiring a separate authorization vote every time the current debt ceiling is crossed. Requiring such a vote provides the right with endless opportunities to blackmail the Congress into counter-productive budget slashing.

Specifically, DSA advocates that Congress pass legislation to:

1. Restore all the automatic cuts to the domestic discretionary budget. These cuts would deny WIC nutrition to 750,000 mothers and children, eliminate Title I funding for 1.8 million low-income school

children and would deny 734,000 households home heating assistance. In addition, it would cut financing of all federal regulatory agencies by 10%.

2. Reauthorize federal funding of extended unemployment insurance. Otherwise, on January 1, 1.5 million unemployed workers and their dependents will lose their unemployment benefits.

3. Restore the improvements to the Earned Income Tax Credit and the Child Care Credit that have reduced the tax burden on the middle and working classes. To preserve the purchasing power that would be lost by an end to the 2% FICA payroll tax cut, reintroduce the 2009 Recovery Act refundable tax credit of \$500 for individuals and \$1,000 for families earning under \$110,000.

4. Abolish the Bush tax cuts on the top 2% and tax capital gains and stock dividends at the same rate as earned income. Increase effective corporate taxation through the elimination of corporate tax loopholes and corporate "tax expenditures." These reforms would yield \$275 billion in additional annual revenue. In addition, instituting a "Robin Hood Tax" could net another \$300 billion in annual revenues. (This financial transaction tax is a small sales tax, for example 0.25%, charged on all trading in stocks, currencies and debt instruments such as bonds, derivatives, futures and options.)

5. Make major cuts in our bloated defense budget, while creating a public jobs program that trains the unemployed to rebuild infrastructure, creates an alternative energy grid and expands mass transit.

6. Extend and strengthen Social Security for future generations, funding enhancements by progressively lifting the cap on earned income subject to the FICA tax and extending it to income derived from capital.

7. Progressively extend and strengthen Medicare/Medicaid, until it covers U.S. residents of all ages, while installing effective cost controls.

DSA welcomes and will work with broad national and local coalitions that are forming to fight cuts in Social Security, Medicare and Medicaid; to preserve programs that benefit the working poor and most vulnerable; to promote greater investment in public education and healthcare and to raise revenues by taxing the rich and corporations. We also support Tavis Smiley's and DSA National Honorary Chair Cornel West's call for President Obama to convene a White House conference on poverty.

DSA will bring to these coalitions the educational perspective of our GET UP (Grassroots Economics Training for Understanding and Power) and The Other America is Our America (TOA) projects. GET UP analyzes the neoliberal capitalist roots of the Great Recession and advances social market economic alternatives. TOA demystifies the history of anti-poverty policy and argues for a new, true war on poverty. We can only stop the corporate drive for austerity if we educate, agitate and organize. DSA will join those in the streets resisting the bi-partisan effort to thwart the needs of the very constituencies that just re-elected our president.

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