
Jeffrey Sachs: America's Political Class Struggle

America is on a collision course with itself. This month's deal between President Barack Obama and the Republicans in Congress to extend the tax cuts initiated a decade ago by President George W. Bush is being hailed as the start of a new bipartisan consensus. I believe, instead, that it is a false truce in what will become a pitched battle for the soul of American politics.

As in many countries, conflicts over public morality and national strategy come down to questions of money. In the United States, this is truer than ever. The US is running an annual budget deficit of around \$1 trillion, which may widen further as a result of the new tax agreement. This level of annual borrowing is far too high for comfort. It must be cut, but how?

The problem is America's corrupted politics and loss of civic morality. One political party, the Republicans, stands for little except tax cuts, which they place above any other goal. The Democrats have a bit wider set of interests, including support for health care, education, training, and infrastructure. But, like the Republicans, the Democrats, too, are keen to shower tax cuts on their major campaign contributors, predominantly rich Americans.

The result is a dangerous paradox. The US budget deficit is enormous and unsustainable. The poor are squeezed by cuts in social programs and a weak job market. One in eight Americans depends on Food Stamps to eat. Yet, despite these circumstances, one political party wants to gut tax revenues altogether, and the other is easily dragged along, against its better instincts, out of concern for keeping its rich contributors happy.

This tax-cutting frenzy comes, incredibly, after three decades of elite fiscal rule in the US that has favored the rich and powerful. Since Ronald Reagan became president in 1981, America's budget system has been geared to supporting the accumulation of vast wealth at the top of the income distribution. Amazingly, the richest 1 percent of American households now has a higher net worth than the bottom 90 percent. The annual income of the richest 12,000 households is greater than that of the poorest 24 million households.

The Republican Party's real game is to try to lock that income and wealth advantage into place. They fear, rightly, that sooner or later everyone else will begin demanding that the budget deficit be closed in part by raising taxes on the rich. After all, the rich are living better than ever, while the rest of American society is suffering. It makes sense to tax them more.

The Republicans are out to prevent that by any means. This month, they succeeded, at least for now. But they want to follow up their tactical victory -- which postpones the restoration of pre-Bush tax rates for a couple of years -- with a longer-term victory next spring. Their leaders in Congress are already declaring that they will slash public spending in order to begin reducing the deficit.

Ironically, there is one area in which large budget cuts are certainly warranted: the military. But that is the one item most Republicans won't touch. They want to slash the budget not by ending the useless war in Afghanistan, and by eliminating unnecessary weapons systems, but by cutting education, health, and other benefits for the poor and working class.

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In the end, I don't think they will succeed. For the moment, most Americans seem to be going along with Republican arguments that it is better to close the budget deficit through spending cuts rather than tax increases. Yet when the actual budget proposals are made, there will be a growing backlash. With their backs against the wall, I predict, poor and working-class Americans will begin to agitate for social justice.

This may take time. The level of political corruption in America is staggering. Everything now is about money to run electoral campaigns, which have become incredibly expensive. The midterm elections cost an estimated \$4.5 billion, with most of the contributions coming from big corporations and rich contributors. These powerful forces, many of which operate anonymously under US law, are working relentlessly to defend those at the top of the income distribution.

But make no mistake: Both parties are implicated. There is already talk that Obama will raise \$1 billion or more for his reelection campaign. That sum will not come from the poor.

The problem for the rich is that, other than military spending, there is no place to cut the budget other than in areas of core support for the poor and working class. Is America really going to cut health benefits and retirement income? Will it really balance the budget by slashing education spending at a time when US students already are being outperformed by their Asian counterparts? Will America really let its public infrastructure continue to deteriorate? The rich will try to push such an agenda, but ultimately they will fail.

Obama swept to power on the promise of change. So far there has been none. His administration is filled with Wall Street bankers. His top officials leave to join the banks, as his budget director Peter Orszag recently did. He is always ready to serve the interests

of the rich and powerful, with no line in the sand, no limit to «compromise.»

If this continues, a third party will emerge, committed to cleaning up American politics and restoring a measure of decency and fairness. This, too, will take time. The political system is deeply skewed against challenges to the two incumbent parties. Yet the time for change will come. The Republicans believe that they have the upper hand and can pervert the system further in favor of the rich. I believe that they will be proven wrong.

[Originally published on Project Syndicate.](#)

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