

US Congress postpones government shutdown, passes two-week funding extension

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The US Congress completed action Wednesday on a two-week extension of funding authorization, temporarily averting a shutdown of many federal government functions, set to begin Friday, March 4. The bill, which has been sent to the White House, includes \$4 billion in domestic spending cuts, mainly in education and infrastructure programs, the price of support by the Republican-controlled House.

The bill passed the Senate by a 91-9 vote Wednesday with the backing of the leaders of both the Republican and Democratic parties. Four liberal Democrats and five conservative Republicans voted against the bill.

The day before, the House passed the same measure by a margin of 335 to 91. Only six House Republicans voted against the bill, because it contained no ban on implementing the Obama administration's health care program, passed by Congress last year. Nearly half of the House Democrats, 85 in all, voted against the bill. The Democratic leadership was split, with House Minority Leader Nancy Pelosi opposing the bill and Minority Whip Steny Hoyer supporting it.

The White House hailed passage of the legislation and President Obama immediately called on congressional leaders to join in bipartisan talks, led by Vice President Joseph Biden, to discuss a longer-term measure to finance the federal government through the end of the current fiscal year.

The federal government has been funded through a series of short-term "continuing resolutions" since the fiscal year began on September 30, 2010. The Democratic-controlled Congress last year was unable to pass a single appropriations bill, because of the protracted dispute over the extension of the Bush administration tax cuts for the wealthy.

After the November election rout of the Democrats, the Obama administration agreed to Republican demands for a two-year extension of the tax cuts for the rich, as well as

a continuing resolution to fund the federal government through March 4—now extended to March 18.

Last month the Republican-controlled House passed a spending bill that would require \$61 billion in cuts in domestic spending for the remainder of the current fiscal year, while the Democratic-controlled Senate proposed a spending freeze instead. The talks led by Biden will focus on resolving this dispute, amid indications that the Obama administration is pushing Senate Democrats to agree to significant cuts.

House Republicans proposed the two-week extension to allow time for the House-Senate negotiations and forestall a federal government shutdown March 4. But the price they extracted was to begin implementing the \$61 billion in cuts on a prorated basis—approximately \$2 billion a week for the remainder of the fiscal year—by requiring \$4 billion in cuts for the two-week extension.

Senate Democratic leaders initially rejected this plan, only to reverse themselves abruptly February 25 after the Obama administration readily embraced it. The White House even proposed an expanded version, a one-month extension at the price of \$8 billion in cuts, but the Republicans turned that down in order to set a tighter deadline for the negotiations. The eventual agreement was finalized in a 10-minute phone conversation between Obama and House Speaker John Boehner.

The only concession on the Republican side was that the \$4 billion in cuts is limited to programs whose elimination or reduction has already been proposed by the Obama administration in its budget for 2012, submitted to Congress last month. The two-week continuing resolution is also free of the right-wing policy directives approved by the House, such as elimination of support for Planned Parenthood, bans on certain regulatory actions by the Environmental Protection Agency, and cutoff of funds to implement the Obama healthcare reform program.

The lion's share of the cuts, \$2.8 billion, comes from

eliminating all congressionally directed spending—so-called “earmarks” for specific projects, usually road-building, water resource management or other construction. The balance comes from the ending of eight small programs, four in the Department of Education, including the Even Start and Striving Readers programs to reduce illiteracy, worth a combined \$468 million. The other cuts affect the Smithsonian Administration, a program to promote Internet access in rural areas, and \$650 million from the Federal Highway Administration for state road projects.

More important than the specific cuts is the basic principle advanced by the congressional Republicans and accepted by the White House and the Senate Democrats—that the federal government is in a fiscal crisis and that the only solution to the crisis is to cut domestic social spending. “We can find common ground on a budget that makes sure we are living within our means,” Obama said after the Senate vote.

Senate Minority Leader Mitch McConnell gloated after the measure’s passage, “This is a long-awaited acknowledgement by Democrats in Congress that we have a spending problem around here.” He added, “It’s encouraging that the White House and Congressional Democrats now agree that the status quo won’t work, that the bills we pass must include spending reductions.”

The top Democrat in the Senate, Majority Leader Harry Reid, already signaled this capitulation last month, when he declared, “There is no question: We need to cut government spending. The debate isn’t whether we cut, it is how we cut.”

The entire official debate over the fiscal crisis is fraudulent, since it is premised on the acceptance of the vast economic inequality that characterizes American society today. The federal government showers benefits on the financial aristocracy, from bank bailouts to tax breaks to interest payments, while demanding austerity and “sacrifice” from working people who are struggling on the edge of financial disaster.

The two-week limit on the extension of federal funding, combined with the constitutional requirement that spending bills originate in the House of Representatives, insures that the Senate will be under maximum pressure to accept the \$61 billion spending cuts demanded by the House, or else take the onus for a partial shutdown of the federal government.

Such a shutdown would not affect what both big business parties have defined as the “core” functions of the government—the military, the CIA, the Department of

Homeland Security and interest payments to the wealthy and foreign creditors on their vast holdings of federal debt. Nor will it affect self-funded agencies like the Social Security Administration and the Postal Service, which have their own sources of revenue. But as many as 800,000 federal civilian workers could be furloughed.

A second fiscal deadline is now looming shortly after the first, with the Treasury Department announcing Tuesday that it expects to reach its legal debt limit of \$14.3 trillion by April 15. Passage of an increase in the federal debt ceiling is usually a routine matter, since the alternative would be an abrupt halt in federal borrowing, with incalculable consequences for global credit markets. But House Republicans have demanded additional budget cuts as the price of such a debt-ceiling hike.

Besides the impact on credit markets, hitting the debt ceiling would have a direct effect on corporate America, much more so than in 1995, during the confrontation between the Republican Congress and the Clinton White House. Since 1995, federal spending on contracting with private companies has mushroomed from under \$10 billion to more than \$535 billion, as both Democratic and Republican administrations have effectively privatized many federal functions. These companies could lay off hundreds of thousands of workers if their checks from the US Treasury stop.

According to a report by the Congressional Research Service, if the Treasury hits the debt ceiling, “The federal government would have to eliminate all spending on discretionary programs, cut nearly 70 percent of outlays for mandatory programs, increase revenue collection by nearly two-thirds or take some combination of those actions.”



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