

# US budget talks drag on as Democrats offer even larger cuts

Patrick Martin  
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Closed-door negotiations on the US federal budget continued in Washington Tuesday, only 72 hours before an April 8 deadline that would force a partial shutdown of the federal government. Republican congressional leaders reneged on a deal to cut current domestic spending by \$33 billion, reached last week, and demanded additional spending cuts as well as right-wing social policy measures.

The top congressional Republican, House Speaker John Boehner and the top Democrat, Senate Majority Leader Harry Reid, met with President Obama Tuesday morning in the White House, without reaching agreement on a budget bill that would carry the federal government through the end of the 2011 fiscal year, which ends September 30.

Obama and Boehner made television appearances afterwards, each claiming to oppose a shutdown of the federal government. Obama said, “We are closer than we have ever been to an agreement. There is no reason why we should not get an agreement.” He appealed to the Republican-controlled House of Representatives to drop its efforts to impose right-wing social policies, such as tighter restrictions on abortion and environmental regulations, using the budget bill as the vehicle.

Boehner reiterated his claim that no agreement had been reached last week on cutting spending by \$33 billion—essentially splitting the difference between current spending levels and the \$61 billion in cuts approved by the House February 19. He hinted that an agreement at the \$40 billion level was possible, and officials in both parties confirmed that he had raised that number in the White House meeting.

The federal government has been financed through six successive short-term budget extensions, called continuing resolutions, since the 2011 fiscal year began last October 1. The last such extension expires Friday, and the House Republicans suggested Monday that a seventh might be required to give additional time for negotiating a final budget.

The last two continuing resolutions incorporated spending cuts at the rate of \$2 billion per week, for a total of \$10 billion in cuts for five weeks’ worth of extension. The terms demanded by the Republicans for a further extension—\$12 billion in additional cuts for a one-week extension, as well as a measure severely restricting the availability of abortion services

in the District of Columbia—were so provocative that the White House quickly rejected the offer.

Significantly, the Republican proposal would have excepted military spending from the one-week extension, giving the Pentagon its full funding through September 30, as the military brass and Defense Secretary Robert Gates have demanded.

Under procedural rules adopted by the House after the Republican takeover in January, all major bills must be posted on the Internet 72 hours before any vote. This makes Tuesday, April 5, not Friday, the effective deadline for passage of an FY 2011 budget.

The only loophole is that a temporary budget extension is not subject to the 72-hour rule. Accordingly, Obama announced that he could support a two- or three-day extension to give the House enough time to hold a vote on a full budget bill, but he opposed any more week-to-week extensions.

When Boehner told a Republican caucus meeting Monday night to make contingency plans for a federal government shutdown, their response was to cheer. A substantial section of House Republicans are actively working for a shutdown, in keeping with their ultra-right ideology, which holds that closing Social Security offices, the Environmental Protection Agency or the Department of Education would be a positive good. Needless to say, the shutdown will not affect the military, the FBI and CIA, the nuclear weapons factories, and the Department of Homeland Security—the key agencies of repression and violence that are the essence of the capitalist state, and which both parties have exempted from any financial crunch.

Far more significant than the outcome of the FY 2011 budget dispute is the direction set by the Republican House with the release Tuesday of its budget blueprint for fiscal year 2012. The blueprint projects \$6.2 trillion in cuts over 10 years—100 times the cuts proposed by the House Republicans in the FY 2011 budget—and includes complete repeal of the Obama health care program passed last year.

The sweeping program of social reaction outlined by House Budget Committee Chairman Paul Ryan is not so much a budget—it would not pass the Senate or survive an Obama veto—as a means of shifting the whole political debate in Washington much further to the right. It calls for the phasing

out of the major federal health care programs for the elderly and the poor. (See “House Republican budget takes aim at Medicare and Medicaid”) Medicare would be replaced by a voucher system benefiting private insurance companies, while the Medicaid program would be replaced by block grants to the 50 states, which would have no choice but to cut coverage when the block grant financing is exhausted.

As has been the case throughout the budget talks, the Republicans are on the offensive, aggressive and intransigent, despite the fact that they control only the House of Representatives, while the Democrats have a majority in the Senate and Obama has the presidential veto power.

This is not due to any degree of popular support for the policies advocated by the Republicans and particularly the ultra-right Tea Party wing, which has huge influence in the House of Representatives.

The Tea Party itself is not a genuine grassroots movement, but the product of financial inputs by a few right-wing billionaires, amplified by vast media publicity and the cowardice of the Democrats. A Tea Party rally last week on Capitol Hill, called to show popular enthusiasm for slashing federal spending, drew somewhere between 50 and 200 people.

The Republican Party took control of the House in last year’s congressional election, and reduced the Democratic majority in the Senate because of a collapse in the base vote of the Democratic Party. Millions of working people and young people stayed home, disappointed and disillusioned in the right-wing policies pursued by the Obama administration and its refusal to take any action to provide jobs for the unemployed—in sharp contrast to the frenzied efforts to pour trillions of dollars into the bailout of Wall Street.

Since the election, Obama has shifted even further to the right, reaching agreement with the congressional Republicans in December to extend the Bush tax cuts for the wealthy. The budget “debate” that has ensued over the past four months has been entirely on the basis of right-wing nostrums that declare “deficit reduction” the number one task of the federal government.

Opinion polls show no great surge of popular support for deficit reduction, with the vast majority believing that efforts to create jobs for the unemployed and to protect social programs like Medicare and Social Security should be the top priority.

As for how to reduce the federal deficit, equally large majorities endorse raising taxes on the rich and cutting military spending, not slashing health care and retirement income for the elderly.

Public opinion has no effect on Congress and the White House, however. The politicians who uphold the profit system, Democratic and Republican alike, answer to the financial aristocracy, not working people. And corporate America is demanding that social benefits for the working class be slashed to pay for the bailout of Wall Street, the tax breaks for the wealthy, and the cost of two and now three wars.

In his televised statement after the White House talks, Speaker Boehner reiterated the claim of the House Republicans, “We believe cutting spending will help us create jobs in America.”

This nonsensical mantra—cutting spending equals job creation—has been repeated endlessly by Republican Party spokesmen, without any serious rebuttal by the Democrats or the Obama administration. Actually, the spending cuts advocated by the Republicans will eliminate hundreds of thousands of jobs, not only among public service workers, but more generally, as layoffs among public employees impact the overall economy.

A somewhat more cautious elaboration of the same precept, issued by Boehner’s office, declared that “he will fight for the largest possible spending cuts to help end some of the uncertainty that is making it harder to create American jobs.”

This suggests that American corporations are refusing to hire new workers because of “uncertainty” over the deficit. Actually, big business is sitting on an enormous cash hoard, approaching \$2 trillion, not because companies are uncertain about fiscal policy, but because investing in expanded production and new hiring is far less profitable than speculating in the financial markets, which creates no jobs at all.

Meanwhile, in a declaration that underscores the deteriorating fiscal position of the US government, Treasury Secretary Timothy Geithner sent a letter to congressional leaders Monday formally notifying them that the federal government would reach its \$14.3 trillion debt ceiling “no later than May 16.” Geithner added that he would “use all measures available to me” to delay additional borrowing, but that within eight weeks of the US hitting the debt limit, approximately July 8, Congress would have to raise the ceiling to avert a US default in the world credit markets.



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