

Democrats, Republicans push for deeper US spending cuts

Patrick Martin
25 July 2011

The latest turn in the bipartisan talks on the federal debt ceiling demonstrates that both Wall Street and its political representatives in Washington are making use of the debt ceiling deadline to push through historic cuts in social spending.

White House-led negotiations on a measure to lift the debt ceiling before the August 2 deadline set by the Treasury collapsed Friday after House Speaker John Boehner, the leading congressional Republican, pulled out.

Boehner's walkout was the latest in a series of maneuvers, as each side has sought to outdo the other as an advocate of austerity policies that make working people pay for the crisis of American and world capitalism.

For several weeks, the White House had seized the initiative, with Obama putting cuts in Social Security on the agenda, without any such demand by the Republicans, and then proposing a deficit reduction plan totaling \$4 trillion, much larger than the \$2.4 trillion initially proposed by Boehner.

After House Republicans complained they were being "outflanked" by the Obama administration—in other words, that Obama had made proposals even more right-wing than their own—the Republican negotiators backed out on the agreement whose broad outlines were agreed on by Obama and Boehner ten days ago.

Both sides in the Obama-Boehner talks have now leaked to the press details of the package that had been kept secret. These demonstrate the extraordinary scale of the social cuts now under discussion in Washington, cuts whose consequences the American people are completely unprepared for. These include:

- \$1 trillion in cuts over ten years in discretionary domestic programs, like education, the environment, transportation, housing and other infrastructure.
- \$243 billion in cuts from non-healthcare government

benefits, including farm subsidies, food stamps and federal worker retirement plans.

- \$250 billion in cuts in Medicare, from some combination of higher premiums, reduced reimbursement to hospitals, and raising the eligibility age from 65 to 67.

- \$100 billion from Medicaid, the joint federal-state program, which underwrites healthcare for the poor and disabled.

- \$300 billion in cuts in Social Security, through a recalculation of the cost-of-living estimates to generate smaller increases in benefit payments when prices rise.

Appearing in the White House pressroom Friday, after the collapse of this deal, Obama said, "It is hard to understand why Speaker Boehner would walk away from this kind of deal," he said. "This was an extraordinarily fair deal." He said his Republican counterparts were being unreasonable, since they had largely gotten their way in the talks. "Can they say yes to anything?" he asked.

Obama pointed out that he had offered to make additional cuts in Medicare, despite the political toll on the Democrats in last November's congressional elections, when Republicans won control of the House in large measure by denouncing cuts in Medicare used to finance Obama's healthcare program. "We've shown ourselves willing to do the tough stuff on an issue that Republicans ran on," he said.

The president's main concern was not the elderly, sick and poor people who will be the victims of the cuts both Democrats and Republicans embrace, but the impact on the financial markets of a failure to reach agreement on the debt ceiling. "It's very important that the leadership understands that Wall Street will be opening on Monday," he told the press, "and we better have some answers during the course of the next several days."

The debt ceiling talks resumed Saturday evening between the top leaders of the Democratic and Republican

parties in the House and Senate, without an Obama administration representative taking part.

According to press reports Sunday, the two Democrats, Senate Majority Leader Harry Reid and House Minority Leader Nancy Pelosi, agreed to consider a Republican plan to raise the debt ceiling by \$2.4 trillion in two stages, matched dollar-for-dollar by cuts in domestic spending.

By dropping any suggestion of tax increases for the wealthy, even the nominal amount proposed by the White House, this plan would mark a further capitulation to the ultra-right majority in the House of Representatives.

As outlined by Boehner aides in comments to the press, the House Republicans will introduce a proposal Monday to raise the debt ceiling by \$1 trillion immediately, in a bill that also enacts \$1 trillion in cuts in spending over the next ten years. The balance of the debt ceiling increase, another \$1.4 trillion, would be introduced in early 2012, and tied to further spending cuts to be devised by a joint House-Senate commission.

Reid is reportedly drafting his own version of this plan, which would combine the two-stage process into one bill that raises the debt ceiling \$2.4 trillion and cuts future spending by a slightly greater amount.

The bottom-line positions of the Democratic and Republican parties, as revealed in these talks, testify to the symbiotic roles they play within the capitalist two-party system. Both parties are political instruments of big business, but they are assigned different tasks.

The Republicans, representing the most rapacious sections of the ruling elite, take as their fundamental principle that not so much as an additional dollar in taxes should be taken from the wealthy.

In the 2010 elections, the Republicans used the bogus “Tea Party” campaign to appeal to sections of working people and the middle class angered by the refusal of the Obama administration to lift a finger to create jobs. They also postured as defenders of Medicare against cuts proposed by Obama to finance his healthcare program, only to turn around after winning the election and advocate even greater cuts, and the ultimate abolition of the program.

The Democrats have readily backed huge cuts in Medicare and Social Security—Obama actually insisted on introducing Social Security cuts when the Republicans failed to do so. But the White House and congressional Democrats are adamant in their opposition to a two-stage process that would require another vote raising the debt ceiling, coupled with additional massive spending cuts, during the 2012 election campaign.

The Democrats fear that a vote to gut Social Security and Medicare on the eve of the 2012 election would severely undermine their ability to masquerade as the “friend” of working people, and thus block any challenge by the working class to the capitalist system.

While the two right-wing parties representing corporate America continued their posturing, Wall Street financial interests stepped more directly into the debate. Standard & Poor’s, one of the three major debt-rating agencies, warned that it would downgrade US government securities not only if the debt ceiling was breached, but in the event an agreement to raise the debt ceiling did not cut future deficits sufficiently.

The *Washington Post* observed, reporting this decision Sunday: “Wall Street’s top concern is no longer that the United States will fail to increase the federal limit on borrowing by Aug. 2 but that political leaders will fall short in their negotiations over an ambitious plan for taming the nation’s debt, according to financial analysts...

“S&P has said that raising the \$14.3 trillion debt ceiling by the deadline, and thus avoiding a potential default, is not enough to avoid a downgrade.”

In other words, the debt-rating agency, a key mouthpiece of the financial aristocracy, is reinforcing the demands of Obama and Boehner that the debt ceiling be used to engineer a fundamental transformation in social relations in America, devastating working class living standards to pay for a deficit created by the Wall Street crash, the bank bailout, and the deepening economic crisis of the profit system.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact