

The class politics of the US debt ceiling crisis

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Official Washington and American media attention will be focused for the next two weeks on the August 2 deadline for raising the federal debt ceiling. Without congressional action to increase the debt limit by that date, according to the Treasury Department, the US government will be unable to borrow money to cover payments, including Social Security checks being sent out to 50 million recipients on August 3, and interest payments on US government bonds due later in the month.

In order to understand the significance of the debt ceiling crisis, and the measures being proposed to resolve it, it is necessary to cut through the lies and distortions of the Democratic and Republican politicians in Washington, reinforced by the commentaries in the corporate-controlled media, both liberal and conservative.

Why is the demand for “deficit reduction” now being voiced so unanimously in every quarter of official American politics? What are the fundamental class issues that underlie this campaign?

The American ruling elite is engaged in the greatest robbery of working people in US history. In the bank bailout of 2008-2009, the financial aristocracy effectively transferred to the federal government its bad debts and losses from a decade of reckless speculation. Now the working class is being compelled to pay the price for Wall Street’s looting of the Treasury through the destruction of Social Security, Medicare, Medicaid and other social programs in education, the environment, transportation and housing.

When they hear Barack Obama, John Boehner and other political and media representatives of big business declare that “there is no money” to sustain vital programs on which tens of millions of working people depend for their survival, workers should think back to the financial crisis that erupted less than three years ago. There was no suggestion then that “there is

no money” to save the banks from collapse. On the contrary, staggering and essentially unlimited sums—as much as \$23.7 trillion in combined cash, loans and guarantees from the Treasury, Federal Reserve and other institutions—were made available to defend the capitalist system and the financial interests of the super-rich.

There is a strong element of political manipulation in the current conflict over the federal debt ceiling. The congressional Republicans initially sought to use the legislation to raise the debt ceiling—a routine bookkeeping measure carried out dozens of times over the last four decades—to curry favor with ultra-right Tea Party elements. By holding the debt ceiling bill hostage, they would force the Obama administration to carry out deeper cuts, just as they did in April and May by blocking passage of the budget for the 2011 fiscal year.

These calculations were upset, however, when Obama proposed even greater spending cuts than those demanded by the House Republicans, tied to a small increase in taxes on the wealthy. He even proposed to put cuts in Social Security on the table, leading to House Republican complaints that they had been “outflanked” by the White House.

Obama clearly welcomes the element of crisis, injected by the August 2 deadline, to create the political atmosphere in which such massive cuts can be implemented.

In this conflict, the Obama administration represents the spearhead of the US ruling class assault on working people. His proposals for closing a few tax loopholes that benefit corporations and the wealthy were largely regarded by the financial aristocracy as a minor inconvenience that would provide a political cover for the overall budget cutting. The measures were supposedly a demonstration of “shared sacrifice,” as though millionaires paying slightly more for a

corporate jet could be equated with an elderly couple compelled to choose between paying rent and paying medical bills, or a student forced to drop out of college for lack of a Pell Grant.

Moreover, the multimillionaires have been assured that any small charges on their wealth incorporated into an eventual deficit-reduction package will be more than recouped in tax reform proposals that will slash overall tax rates on corporations and high-income households.

No one should be under any illusions about the dimensions of the cuts that are being worked out in Washington. The Obama administration's focus is on implementing changes that will be devastating to the working class. These cuts will plunge millions of working people into conditions of poverty, hunger, disease and premature death.

As far as the ruling class is concerned, this is a once-in-a-lifetime chance to fatally undermine social programs, particularly Social Security, Medicare and Medicaid, which the financial elite regards as an intolerable burden. To the extent that Obama has taken the lead in this attack, he clearly feels himself strengthened politically, while the congressional Republicans are in visible disarray.

Nonetheless, the outcome of the political conflicts in Washington is not cut and dried. The divisions within and between the two capitalist parties could, at least temporarily, lead to a deadlock that runs past the August 2 deadline.

While this would undoubtedly produce a media firestorm, and perhaps a significant disruption in the financial markets, the essential course of events would remain the same. Obama's only concrete statement about what happens if the August 2 deadline is missed—that he “cannot guarantee” that Social Security checks will go out as planned—demonstrates that in the event of a new financial crisis the class divisions will emerge even more starkly. He made no threat that payments to billionaire bondholders or giant defense contractors will be held up.

In embracing deficit reduction as its battle cry, the Obama administration has revealed its true class character. It is a government of, by and for the financial aristocracy—as demonstrated in the enormous influx of campaign cash for Obama's reelection, more than double that of all the Republicans combined.

The course of the Obama administration completely

explodes the claims of its liberal apologists, from the *New York Times* to the *Nation* magazine and groups like the International Socialist Organization, who portrayed Obama as a “progressive” political figure whose election would inaugurate a new era of social reform in America. Instead, Obama has escalated the war in Afghanistan, launched new military onslaughts in Libya, Yemen and Somalia, continued the Bush administration's attacks on democratic rights, and now seeks to outdo the Republicans in imposing austerity policies at home.

The Socialist Equality Party calls on working people to oppose all cuts in social programs, regardless of which party authors them or what arguments they use to justify them. The Democrats and Republicans are carrying out the dictates of a tiny fraction of the American population, the bankers and corporate CEOs and super-rich investors—those who bear responsibility for the crisis in the first place.

The first step in this struggle is for American workers to break politically with the corporate-controlled two-party system and fight for the building of a mass socialist movement of the working class in the US and internationally. This is the perspective advanced by the Socialist Equality Party.

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