

Obama and the debt ceiling

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The congressional deadlock over raising the US federal debt ceiling continued Thursday night with both the House of Representatives and the US Senate failing to take action. Both big business parties, the Democrats and the Republicans, are committed to bills that would combine an increase in the debt ceiling, to allow the Treasury to resume borrowing, with massive cuts in domestic social spending.

The rival bills proposed by Republican House Speaker John Boehner and Democratic Senate Majority Leader Harry Reid are strikingly similar—in the size of the increase in the debt ceiling, in the size of deficit reduction, in the establishment of a bipartisan congressional committee to enforce further spending cuts. More and more, the deadlock appears to be deliberately manufactured so as to create a crisis atmosphere, stampede public opinion, and disguise the dimensions of the assault on working people that both parties are undertaking.

Business and financial interests are playing their role, raising alarms that the US government could fail to meet its obligations after the August 2 deadline set by the Treasury. Stock prices have fallen for five consecutive days, since the collapse of talks between the Obama administration and congressional Republicans, for a cumulative loss of nearly 500 points on the Dow Jones Industrial Average.

The Financial Services Forum, which represents the 20 biggest Wall Street banks, became the latest representative of corporate America to warn of the consequences of a federal default in a statement issued Thursday. A default “would be a tremendous blow to business and investor confidence,” the bankers declared, “dramatically worsening our Nation’s already difficult economic circumstances.”

The cost of insurance against a default on interest payments on Treasury bills has quadrupled since May 17, and bond holders were paying more to insure against losses on US debt than to hedge against a default by Turkey, Thailand or the Philippines, twice as much as for

Russian debt and four times as much as for British debt. The dollar continues its decline in value against most world currencies and against gold.

Whatever the immediate outcome this weekend, the crisis over the debt ceiling has laid bare the real political physiognomy of the government of Barack Obama. Far from defending the entitlement programs, Medicare, Medicaid and Social Security, established by Democratic presidents many decades ago, the Obama administration has deliberately placed these programs under the budget axe. Under cover of their mutual mudslinging, the White House and congressional Republicans are collaborating politically on a giant step toward the destruction of these basic components of the social safety net.

The congressional Republicans, and particularly their ultra-right Tea Party wing, posture as the bitterest opponents of “big government” and federal spending. But they control only the House of Representatives. From a constitutional standpoint, it would be impossible for a Republican-controlled House to dictate policy to the Democrats, who control both the US Senate and the White House.

The House Republicans are able to use the debt ceiling as a lever to force through cuts only because the Obama administration has embraced this stratagem as its own.

Until this year, congressional extension of the debt ceiling has been a routine housekeeping measure, carried out dozens of times over the past three decades alone. When a handful of Tea Party Republicans suggested in early January, in their first days in the House, that they would demand major spending cuts as the price of a debt ceiling increase, the Obama administration dismissed the suggestion. Treasury Secretary Timothy Geithner formally requested a “clean” debt ceiling bill—i.e., a bill with no other provisions but an increase in the debt ceiling.

This was in accord with longstanding precedent. No president, until Obama, has ever permitted the debt ceiling to be used by Congress, let alone only one house of Congress, as a device to extort policy changes on the

threat of cutting off Treasury access to credit markets and forcing a default on US government payments. This would have been considered unacceptable political blackmail by either of the two bourgeois parties who share control over the US government.

The administration shifted its position in April, after the protracted conflict with the House Republicans over a fiscal year 2011 funding bill that brought the federal government to the brink of a shutdown. That crisis was used to push through the House and Senate legislation slashing \$62 billion from current spending, the biggest such same-year cut in US history.

The White House drew the conclusion from this experience that the debt ceiling could be used to even greater effect. The Obama administration was anxious to satisfy the demands emanating from Wall Street and global financial interests that the US government get its fiscal house in order. This means that the immense cost of bailing out Wall Street in 2008-2009, which transferred trillions in bad debts to the books of the federal government, should now be offset by slashing the social benefits on which tens of millions of working people rely.

Geithner gave the first signal of this change in policy in a speech April 28 to the Economic Club of Detroit, where he declared “deficit reduction” to be a top administration priority, and argued for an “enforcement mechanism” to compel Congress to enact long-term spending cuts. This was followed May 5 by the opening of bipartisan budget talks, chaired by Vice President Joseph Biden, which were premised on accepting the demand from House Speaker John Boehner that any increase in the debt ceiling be matched dollar-for-dollar by cuts in the ten-year projected federal deficit.

Obama not only embraced the deficit reduction campaign, he initiated the consideration of cuts in Social Security, a program the Republicans were reluctant to target because of anticipated public opposition. The Democratic president gave them the necessary political cover by proposing an attack on the most basic and popular of US social benefits.

The real attitude of the White House to the debt ceiling deadline was shown in Obama’s press conference last week, when he was discussing the proposal by Senate Minority Leader Mitch McConnell to allow the president to raise the debt limit unilaterally by the amount required, with no spending cuts attached. Although this coincided with the position taken by the White House in January and February, when it sought a “clean” debt ceiling increase, Obama now described this as “the worst” of

three possible means of resolving the deadlock. He declared that he preferred to “do something big” on deficit reduction.

While the Democrats and Republicans wrangle, in part to create confusion, in part to avoid being held responsible, the real direction of US social policy was spelled out with brutal clarity in an editorial Thursday in the *Wall Street Journal*. The ultra-right newspaper dropped the pretense that deficit reduction is required merely to offset the supposed “big spending” by the Obama administration.

Instead, it declared that the origins of the crisis “go back decades,” to Franklin Roosevelt, who established Social Security and began the creation of the “entitlement society.” This was expanded through the creation of Medicare, Medicaid and other social benefits, which the mouthpiece of finance capital describes as “redistribution programs.”

Here is the class logic that underlies the increasingly open assault on social programs for working people. From the standpoint of the capitalist class, all social benefits are deductions from their profits, a redistribution to the working people of trillions that would otherwise flow into the coffers of the bankers and billionaires. Under conditions of deepening financial crisis on a global scale, the ruling elite is driven to claw back everything it can by destroying benefits won by working people in struggle over many decades.

To fight against this policy of social counterrevolution, the working class requires above all an understanding of the class character of the Obama administration and the Democratic Party. Obama is not a too timid “progressive,” as his liberal apologists from the *New York Times* to the *Nation* magazine would have it. He is the most trusted instrument of the financial aristocracy, wholly devoted to defending the interests of Wall Street.

To fight this historic assault on their living standards, working people must put aside any illusions in Obama, break with the Democratic Party, and build an independent mass party of the working class, based on a socialist and internationalist program.

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