

Republicans, White House move toward deal to extend debt ceiling, cut social programs

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11 October 2013

US President Barack Obama met with senior Republicans at the White House Thursday, as both parties moved toward an agreement to extend the US debt ceiling for six to eight weeks while they work out a deal to slash spending on Medicare, Social Security and other social programs.

"We had a useful meeting. We agreed to continue discussions," Republican House Majority Leader Eric Cantor said after leaving the White House. "We will continue tonight and hopefully we will have a clearer path forward."

Earlier in the day, Republican officials said they would be amenable to a short-term extension of the debt ceiling, a measure that was initially proposed by Obama at his press conference Tuesday. This proposal could come to a vote in the House as early as Friday.

Twenty leading Republican members of the House, including Speaker John Boehner, took part in the meeting, in which they raised the prospect of extending the debt ceiling through November 22 in exchange for a commitment by the White House to engage in budget negotiations with the Republicans.

Thursday was the tenth day of the government shutdown that began this month. According to the Treasury, the US government is scheduled to exhaust its ability to raise funds unless Congress raises the government's debt limit within the next seven days.

Republican House Budget Committee Chairman Paul Ryan said that Obama "didn't say yes, didn't say no," to the Republicans' proposal, but "agreed to continue talking and continue negotiating." He added, "We put an offer on the table. We had a long, frank conversation about it. We agreed to continue talking and continue negotiating."

The meeting lasted over an hour, after which the White House said in a statement that Obama "looks

forward to making continued progress" in the negotiations, but that "After a discussion about potential paths forward, no specific determination was made" about the next steps.

While the Republican proposal did not include measures to defund or delay the Affordable Care Act—the nominal reason for the ongoing government shutdown—it contained limitations on the Treasury's ability to raise funds in future negotiations over the debt ceiling that the White House objected to. Even if the initial terms were not agreed to, however, the discussion sets the stage for an agreement that both parties hope will lead to an extension of the debt ceiling that will facilitate a much broader agreement to cut entitlement programs.

Stocks jumped dramatically Wednesday in response. The Dow Jones Industrial Average was up by 323 points, or 2.2 percent, while the Nasdaq Composite Index rose by 2.3 percent. The jump in stock values was the highest since January and followed a plunge of more than 500 points by the Dow since mid-September.

Wall Street investors and big business, who had increased their calls for a resolution of the default threat, responded favorably to the Republicans' offers. Dan Veru, the chief investment officer of Palisade Capital Management, told Bloomberg, "You're taking the nuclear option off the table, the fact that we'll blow through the debt ceiling, that's not going to happen." He added, "This continues to put pressure on lawmakers to get a deal done because they're seeing that just in fact talking is what markets want them to."

The discussions do not currently involve an end to the government shutdown, which has furloughed government workers and shut down many regulatory agencies and other government institutions, excluding the military and intelligence agencies.

A bipartisan group of senators has also been working on a proposal that would extend the debt ceiling for a year and fund the federal government, but would include modifications to the Affordable Care Act in line with Republican demands, including the repeal of the revenue-raising tax on medical devices, and more restrictive eligibility requirements for receiving government subsidies for health insurance premiums.

Thursday's developments were the latest moves in efforts by both the White House and Congressional Republicans to shift the budget debate onto the ground of slashing entitlement programs. Both parties have been seeking such an agreement since 2011.

President Obama took the first step in turning the crisis that erupted with the government shutdown into a discussion over entitlement cuts in an interview on October 3 with CNBC, in which he called for eliminating "unnecessary" social programs and was ready to discuss cuts in "long-term entitlement spending."

Whatever the initial causes of the government shutdown, the aim of both parties in the ongoing budget negotiations is the slashing of hundreds of billions of dollars from Medicare and Social Security, moves that will throw millions of people into poverty. The White House has, meanwhile, made clear that it intends to continue having the Federal Reserve pump \$85 billion per month into the US financial system, through Wednesday's nomination of Janet Yellen, one of the people most associated with the program of "quantitative easing," to head the Federal Reserve.



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