

Obama reaches right-wing budget, debt deal with Republicans

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28 October 2015

The White House and Republican and Democratic leaders in Congress announced late Monday a deal setting budget figures through the end of the Obama administration. The complex, 144-page agreement contains dozens of significant changes in social and fiscal policy, but its major purpose is simple: to remove any possibility of budget and financial shocks that might disrupt global financial markets and threaten the interests of Wall Street.

The most important provision from that standpoint is to suspend the borrowing limit for the Treasury until March 2017, two months after President Obama's successor is sworn into office. Treasury officials had warned that they would reach the current debt ceiling of \$18.1 trillion November 3, threatening federal payments to subcontractors, federal workers' salaries, and benefit checks issued under programs like Social Security. Most importantly, a halt to federal borrowing would disrupt the operation of the financial markets, where trading in US government debt is a major activity, and the rates paid for Treasury bills are a benchmark for all financial transactions.

The Obama White House has refused to make concessions in return for previous debt ceiling increases, given that such actions have long been formalities and don't authorize new spending, only borrowing to pay obligations already incurred. Congressional Republicans, with right-wing groupings in the House of Representatives leading the way, were using the threat of a debt default to demand changes in social policy, ranging from cutoff of funds for Planned Parenthood to repeal of Obamacare.

Folding the debt ceiling increase into a larger deal on military and domestic spending was a maneuver to avoid default, while also creating the political conditions for enacting a series of budgetary and policy

measures, largely of a right-wing character. The deal remains precarious, since it faces substantial opposition in the House, where it would pass with only a few dozen Republicans joining a unanimous Democratic caucus. Congress must also enact legislation to authorize spending at the levels set in the deal, with a deadline of December 11, when a continuing resolution on federal funding expires.

The deal increases spending levels above those set in a 2011 budget-cutting measure known as the sequester, adding \$50 billion for the current fiscal year, which began October 1, and \$30 billion for Fiscal Year 2017, which concludes on September 30, 2017, eight months after Obama leaves office.

While the White House claimed it had won equal increases in military and domestic spending, \$40 billion apiece over two years, there is an additional \$32 billion in spending for "Overseas Contingency Operations," as the wars in Iraq and Afghanistan are called, bringing the overall increase in military spending to \$72 billion, 65 percent of the total.

The \$40 billion in new domestic spending amounts to only a small fraction of the cuts imposed under a series of bipartisan deals since 2011. Some of this "new" money only offsets impending cuts, such as the projected 59 percent rise in Medicare Part B premiums due to be imposed on 9 million recipients, and a 20 percent cut in Social Security disability benefits, scheduled to take effect at the end of 2016, now canceled.

These short-term fixes come at the price of long-term policy changes that will dramatically affect these basic social safety-net programs. New eligibility procedures will be phased in for disability benefits, which Republicans boasted would save \$168 billion long-term—money to be gouged out of the incomes of those

who are too sick or injured to continue working. Medicare reimbursements to hospitals and other health care providers will be cut by another 2 percent across-the-board, increasing the likelihood that providers will refuse to accept Medicare patients, thus shrinking the availability of critical services.

The deal also provides for a rollback of a significant provision in Obamacare, the requirement that employers with more than 200 workers automatically enroll them in health insurance. This provision has not yet been enforced, and it will now be eliminated. Workers will have to take action themselves to enroll, rather than being enrolled, unless they take action to opt out. Business groups have been pressing for such a change for years.

It is politically revealing that both the White House and congressional Democrats hailed the deal, while most House Republicans denounced it. The White House looked at a deal raising military spending, cutting benefits for the elderly, and assuring the steady operation of the debt markets for financial speculation, and declared that it “reflects our values.” Indeed it does.

House Minority Leader Nancy Pelosi issued a statement declaring, “The bipartisan budget package unveiled last night represents real progress for hard-working families across the country. I look forward to working toward House passage of this proposal this week. Next, we must move forward to complete the appropriations for FY2016 and keep government open.”

The real priority of House Democrats, however, was revealed in another action taken by the House on Monday. In an unusual parliamentary move, the Democratic minority, joined by more than 40 Republicans, revived legislation to keep open the Export-Import Bank, a federal agency used almost entirely by a few large exporters, most notably Boeing, to assist its overseas transactions. The bank is opposed by most right-wing Republicans as an interference with the “free market,” but backed by those that have businesses in their districts that make use of the bank’s lending facilities.

House Republicans, for the most part, balked both at specific provisions stepping up enforcement of tax collection from hedge funds as well as some government fees, and at the overall structure of the

agreement. Only a faction of House Republicans with the closest ties to the Pentagon gave half-hearted backing to the agreement. One of this group, Representative Michael Turner of Ohio, said, “There is tremendous value in a two-year deal, as it provides the Department of Defense with the certainty it needs to plan for and execute various missions around the world.”

Senate Republicans are expected to approve the deal. Senate Majority Leader Mitch McConnell hailed the cuts in Social Security disability payments as “the first significant reform to Social Security since 1983.” Senate Armed Services Committee Chairman John McCain (R-Ariz.) said the defense number is still \$5 billion less than he had sought, “But I’m largely satisfied. I think it’s the best deal we can probably get. It’s bipartisan, and it prevents a government shutdown.”

While the deal is being characterized in the corporate-controlled media as a compromise between the White House and congressional Republicans, Obama has previously supported many of the right-wing measures incorporated into it, including cuts in both Social Security and Medicare. One former White House aide, Jared Bernstein, told the *New York Times*, “There’s a lot in here the White House likes and not much they don’t.” He added, “Most importantly, if the deal prevails, they won’t have to deal with budget nonsense for the rest of the term, which has got to look pretty sweet.”

The Obama administration is clearing the decks, not only removing obstacles to the functioning of the financial markets, but removing potential distractions as Obama focuses his final year in office on the escalation of military provocations in the Middle East, against China, and throughout the world.



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