

# Debt ceiling “clash” will lead to major cuts in social spending

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The Biden administration and the Republican-controlled House of Representatives have begun a series of political maneuvers and backroom discussions on raising the federal debt ceiling, which now stands at \$31.4 trillion. Federal authority to borrow has run out, and the Treasury will exhaust short-term financial manipulations to avert a default on debt by early June, according to Treasury Secretary Janet Yellen.

A public debate has ensued in Washington and in the corporate media, with House Republicans demanding that any resolution to raise the debt ceiling be accompanied by severe cuts in domestic social spending, reportedly in the neighborhood of \$130 billion, about 8 percent of current levels. The White House and congressional Democrats, who control the Senate, are demanding a “clean” bill to raise the debt ceiling, one that does not include any cuts or other extraneous provisions.

The *Washington Post* reported Tuesday that the discussion in the Republican Party has gone well beyond the immediate cuts that are likely to accompany a bipartisan deal to raise or suspend the debt ceiling:

In recent days, a group of GOP lawmakers has called for the creation of special panels that might recommend changes to Social Security and Medicare, which face genuine solvency issues that could result in benefit cuts within the next decade. Others in the party have resurfaced more detailed plans to cut costs, including by raising the Social Security retirement age to 70, targeting younger Americans who have yet to obtain federal benefits.

“We have no choice but to make hard decisions,” said Rep. Kevin Hern (R-Okla.), the leader of the Republican Study Committee, a bloc of more than 160 conservative lawmakers that endorsed raising the retirement age and other changes last year. “Everybody has to look at everything.”

These comments reveal the direction of ruling class policy as a whole. Hern is not an outlier but a top ally of House Speaker

Kevin McCarthy. In the mechanism of capitalist politics, the fascist Freedom Caucus, which blocked McCarthy’s election as Speaker for 15 ballots, pushes the Republican House majority further to the right, as signaled by the concessions extracted, particularly on debt and spending. The House majority in turn pushes the Biden administration further to the right, expressed in McCarthy’s demand for direct negotiations with the White House over the debt ceiling. Biden has already made his first concession, agreeing to meet with McCarthy before the February 7 State of the Union speech.

In all of the public commentary on the debt ceiling, neither of the two capitalist parties nor the media deal with the more fundamental questions: Where did the national debt come from, and who is to pay for it? That is because they seek to conceal the basic class issues in the fiscal crisis. It is true that American capitalism faces bankruptcy. But why should working people, who did not cause the crisis and are not responsible for it, be made to pay the price through the evisceration of social benefits?

The debt crisis is real enough, as the accompanying graph demonstrates. Total US government debt was \$5.6 trillion in 2001, when George W. Bush entered the White House. Eight years later, after a massive tax cut for the wealthy and the launching of major wars in Afghanistan and Iraq, the national debt was \$11.7 trillion, more than double, an increase of \$6.1 trillion.

The national debt increased another \$8 trillion under the Obama administration, from \$11.7 trillion to \$19.8 trillion. Major extraordinary outlays included the bailout of the US financial system and the auto industry in 2009, after the Wall Street collapse, the continuing wars in Afghanistan and Iraq, and the new wars in Libya and by proxy in Syria. There was also the continuing cost of the Bush tax cuts, most of which were retained as part of a bipartisan deal between Obama and the Republican-controlled Congress.

The Trump administration racked up as much debt in four years as Obama had in eight years, largely due to further tax cuts for the wealthy in 2017, as well as a continuing gusher of new spending for the Pentagon to prepare for future wars with Russia and China. A huge round of corporate bailouts during the first year of the COVID-19 pandemic brought the total new

debt to \$8.3 trillion.

In the first two years of the Biden administration, the national debt has risen by a further \$3 trillion, mainly through the continuing COVID-19 bailouts and other spending to prevent economic collapse, now supplemented by a rapid rise in military spending, focused on the proxy war against Russia in Ukraine.

Proposals to reduce the deficit by raising taxes on the superrich have gone nowhere in Congress. As Biden promised an audience of wealthy backers before the 2020 election, they would not suffer with a Democrat in the White House, despite his populist rhetoric. “No one’s standard of living will change. Nothing would fundamentally change,” he said.

To sum up: The US national debt has risen from \$5.6 trillion to \$31.4 trillion since 2001. Of this massive \$25.8 trillion increase, the wars in Afghanistan and Iraq and the overall “war on terror” account for \$8.3 trillion, according to the “cost of war” study by Brown University. The tax cuts by Bush and Trump, largely retained under Obama and Biden, cost at least \$5.3 trillion. The bailouts of Wall Street in 2008-2009 and 2020 cost an estimated \$8 trillion more.

How is any of this the responsibility of the working class? The American people were not consulted on the wars, which were launched without even a formal declaration. They were not consulted on the two massive financial bailouts, pushed through Congress as “emergency” measures in only a few days’ time. They were not consulted on the tax cuts, which were presented as benefiting all Americans, although 90 percent of the financial windfall, or even more, went to the top 1 percent.

While the Democrats and Republicans focus on Social Security, Medicare and other “entitlement” programs—so-called because their recipients are entitled by law to receive the benefits—these are not the cause of the nearly six-fold increase in the national debt over the last two decades. On the contrary, as this graph shows, the assets held by the Social Security Trust Fund have increased steadily over a 30-year period, only turning down slightly in the last two. These assets remain close to \$3 trillion.

The incessant calls for “reform” of Social Security stem from the desire of the financial vultures on Wall Street to get their hands on this pile of cash and turn it into a source of profit. George W. Bush tried to do this in 2005 but faced such a political firestorm, accompanied by rising opposition to the war in Iraq, that he had to abandon the effort. In the present crisis there are renewed efforts to loot the Trust Fund and place 66 million retired Americans at the mercy of the financial markets.

Even more endangered is the younger generation of the working class. This is the real meaning of the language now used by Republican leaders in the House, like Majority Leader Steve Scalise, who claims that his party wants Social Security “strengthened for seniors who paid into it.” That means non-seniors, and particularly young people, should not expect

benefits and will not get them.

Right-wing Democrats like Senator Joe Manchin use similar wording. He called for the establishment of a special committee of the House and Senate to review options for “strengthening” Social Security, while ruling out cuts in current benefit levels. So *future* benefit levels for *future* retirees are on the table, as well as the retirement age, now 67 but likely to be pushed higher, and changes in how the program calculates the amount of cost-of-living rises.

Neither party will discuss a solution to the financial crisis that makes the capitalist financial oligarchy, not working people, bear the burden. This is a cost they are eminently able to bear. A report by Oxfam published earlier this month, on the eve of the World Economic Forum in Davos, Switzerland, which brought together billionaires and leading capitalist politicians from throughout the world, gave a glimpse of the enormous accumulation of wealth by the superrich.

In what it called an “explosion of inequality,” Oxfam reported that since 2020, the richest 1 percent have captured almost two-thirds of all new wealth—nearly twice as much money as the bottom 99 percent of the world’s population. Billionaire fortunes are increasing by \$2.7 billion a day, even as inflation outpaces the wages of at least 1.7 billion workers. The pandemic, while a catastrophe for working people, the main victims of infection, death and economic collapse, has been a bonanza for the rich.

Working people should oppose all attempts by the politicians of both corporate-controlled parties, the Democrats and the Republicans, to make them pay for the debt crisis, which is one expression of the colossal decline in the world position of American capitalism. And they must reject all efforts by the unions and their pseudoleft allies to straitjacket this opposition within the confines of the Democratic Party. Only the independent political mobilization of the working class can defend the social benefits which are the byproduct of many decades of working class struggle.



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