

McCarthy, Biden meet over debt ceiling crisis

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New House Speaker Kevin McCarthy and President Joe Biden met Wednesday afternoon in the White House to discuss the looming breach in the statutory ceiling on how much the US government can borrow, now set at \$34.1 trillion.

Treasury Secretary Janet Yellen said the US government had exhausted its ability to borrow, but could avoid breaching the debt limit until early June by means of financial maneuvers by the Treasury and the influx of tax payments due on April 15, the deadline for filing personal and business income taxes.

Republican congressmen, now in control of the House, want to use the debt ceiling as a lever to force the Biden administration to accept major cuts in social spending. Both Democrats and Republicans are maneuvering to place the blame for the cuts on the other party, while at the same time seeking an agreement that will avoid disruption of federal payments of interest and principal for bonds and Treasury bills, which are the foundation of the world's financial markets.

While Biden has publicly declared he will not negotiate on the debt ceiling, since it concerns the government paying for previous spending already authorized by Congress, the meeting with McCarthy was effectively the start of such negotiations.

McCarthy made that clear when he emerged from the White House after two hours of talks. “We both laid out some of our vision of where we want to get to,” McCarthy said. “I can see where we can find common ground.”

“No agreements, no promises,” he concluded. “Except we will continue this conversation.”

A statement from the White House sought to reiterate its “no negotiations” pledge through a bogus effort to split the debt ceiling from talks on budget cuts. Biden welcomes a “separate discussion with congressional leaders about how to reduce the deficit and control the

national debt while continuing to grow the economy,” the White House summary of the meeting said.

The framework for the talks has thus been set, with both parties declaring—out of fear of the response in the working class—that Social Security and Medicare, the two largest domestic social benefit programs, are “off the table” in the discussions. This leaves so-called discretionary spending, the roughly \$1.7 trillion that is appropriated by Congress each year, as the main target of budget reductions.

While McCarthy has suggested that military spending is a potential area for cuts, this is merely a gesture toward the extreme isolationist faction, a minority within the ultra-right minority of the Republican Party. There is overwhelming support for providing unlimited resources to the Pentagon in both parties, particularly with the ongoing proxy war against Russia in Ukraine.

That leaves non-defense discretionary spending. To implement the \$130 billion in spending cuts demanded by the Republicans, these programs—Food Stamps, education, health research, environmental protection, housing and transportation, among others—would have to be cut from 25 to 40 percent, effectively destroying them.

The overriding concern of both parties as the budget talks begin is that no action be taken that upsets or undermines the stock market and the broader financial markets. All government policy is subordinated to the interests of Wall Street.

This reality was emphasized in the extraordinary interview given on January 29 by McCarthy to Margaret Brennan, the host of the CBS Sunday program “Face the Nation.” Brennan pressed McCarthy insistently to give a direct assurance to the stock market that there would be no default by the US government on its debt payments.

The interview was remarkable, not so much in what McCarthy said, but in the insistence of the interviewer

that he had to make a clear statement to reassure the financial markets. She passed briefly over the question of Social Security and Medicare, accepting his perfunctory disavowal of any cuts.

After several banal responses from McCarthy comparing the federal budget to a family budget and the debt ceiling to maxing out credit cards—although families cannot simply decide to stop paying their bills—Brennan bored in on the question of most interest to her and her superiors at the network: whether the Speaker was committed to defend the financial interests of the ruling elite and insure a smooth functioning of the markets.

BRENNAN: But just to put a fine point on it, because it matters a lot to the markets in particular, you will avoid a default? You will not let that happen on your watch?

MCCARTHY: Look, there will not be a default...

The same topic was addressed on “Fox News Sunday” by Republican Representative Michael McCaul of Texas, the new chairman of the House Foreign Affairs Committee, and the ranking Democrat on the House Armed Services Committee, Adam Smith of Washington state. Both insisted that the debt ceiling crisis had to be resolved without any cuts in military spending.

“I will not sit back and watch our defense being cut at such a dangerous time in our history,” McCaul said, claiming Russian President Vladimir Putin was seeking to carry out “the largest invasion in Europe since World War II.” Pushing ahead with the world war comparison, he described the crisis in East Asia with “the other dictator [China’s Xi Jinping] threatening the Pacific that the greatest generation liberated. And now these two and Iran and North Korea are trying to redraw the maps that the Yalta Conference brought to us.”

In an exchange with host Shannon Bream, Smith reiterated the bipartisan position of all-out support for the war in Ukraine and for continuing the military build-up against China.

BREAM: How worried are you about this issue of our military supplies being depleted and our ability to turn this around, whether it’s for Ukraine, whether it’s about a conflict with China or anywhere else in the world? You heard the study that says we could be out of very critical armaments within a week of a conflict with China. Your thoughts?

SMITH: I completely agree with Chairman McCaul. This is a huge problem. And we don’t have the industrial base. And we don’t have the ability to ramp up that industrial base. What industry will tell you is that the reason that they don’t have the ability to make as many weapons as we now need is because they don’t want to make that major investment without what they refer to as a demand signal, without knowing that we’re going to buy them. ... We need to increase that ability to surge when we need it, which means we desperately need to increase our manufacturing base for key weapons systems.

I think Congressman McCaul is absolutely right. I know it’s a huge priority for Chairman Rogers, who is now the chairman of the Armed Services Committee, my partner on that committee. It’s a huge priority for our committee to increase that production capacity for all of the reasons that you’ve laid out.

Underscoring the point, the chairman of the Federal Reserve, Jerome H. Powell, warned in a news conference against the consequences of a federal debt default. “There is only one way forward here, and that is for Congress to raise the debt ceiling, so that the United States government can pay all of its obligations,” he said. “Any deviations from that path would be highly risky.”



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