

Speaker McCarthy appeals to Wall Street to back massive social spending cuts

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There are many occasions when the *World Socialist Web Site* describes capitalist politicians of one party or the other, Democrat or Republican, as speaking for or representing the interests of Wall Street. Usually this is political shorthand, a metaphor indicating the class interests for which these political operatives give voice.

Monday was different, as House Speaker Kevin McCarthy, the top Republican in Congress, traveled to Manhattan to speak at the opening of the New York Stock Exchange, urging the assembled stock traders and agents of billionaire investors to support his party's position in demanding massive cuts in domestic social spending as the price of approving an increase in the federal debt ceiling.

His was a highly interested audience, since a default on federal debt payments would have huge repercussions on financial markets, and threaten a chain reaction of defaults on debts which are linked in any way to US Treasury securities. Given the fragility of the financial markets, demonstrated in the recent collapse of Silicon Valley Bank, there have been extensive complaints in the financial press that the Republican tactics over raising the debt ceiling are unduly risky.

McCarthy sought to assuage these concerns, pledging Republican support for a rise in the debt ceiling. "The House will vote on a bill to lift the debt ceiling into the next year," he said, without specifying whether this would be a temporary waiver of the ceiling or an actual rise in the amount of debt that the Treasury is authorized to issue. In either case, the measure would put off the crisis by only a year, setting up a new debt ceiling crisis in the midst of the 2024 elections.

The bulk of his remarks, however, were devoted to castigating the deficit spending of the Biden administration and appealing for Wall Street support

for massive cuts in discretionary federal spending. McCarthy called for freezing the current year's spending at levels that prevailed at the end of the last fiscal year, on September 30, 2022. This would effectively mean the rescission of \$130 billion in spending authorized in the omnibus budget bill passed last December.

For the next ten years, discretionary spending would be limited to increases of one percent per year, far below the inflation rate, and thus subjecting programs for health, education, housing and the environment to major cuts.

Moreover, since Pentagon funding is included in discretionary spending, the Republican plan would set the stage for even greater cuts in domestic social programs as spending on the military surges in the context of the US proxy war against Russia in Ukraine and the military build-up toward war in the Far East against China.

Both the Democrats and Republicans are unalterably committed to these wars, so enactment of the Republican policy would mean the virtual termination of federal spending on domestic social programs.

McCarthy's speech began with a craven, bootlicking salute to Wall Street. He hailed the stock exchange, saying, "I chose to be here because in so many ways, this place represents the best of the American economy: fast-paced, future-focused and dynamic. For more than two centuries, this market has enabled dreams and changed lives for entrepreneurs and investors. It has helped turn ideas into reality—generation after generation after generation. It pays pension funds, funds education, builds hospitals, and it supports charities. And it creates the incentives for solving challenges—and then helps to make those solutions widely available so we can live a better life."

Workers who have had their pensions stolen by financial swindlers and seen their jobs, wages and working conditions devastated by the manipulations of the financial elite would rub their eyes in amazement at such a tribute. Where are Bernie Madoff, Michael Milken, the 1929 crash, the 1987 crash, and the 2008-2009 crash in this capitalist fairy tale?

Wall Street is the central nexus of everything reactionary, ruthless and inhuman in capitalist society. Naturally it enjoys the unstinting adulation of the Republican Speaker of the House, who cited the example of the last top Republican politician to give a speech to Wall Street (also advocating budget cuts and austerity), President Ronald Reagan in 1985.

The Republican plan, besides the spending cuts, contains many other provisions likely to be applauded by the stock exchange. It would enact more savage restrictions on eligibility for social benefits—so-called “work requirements”—as well as rolling back many regulations on business operations, particularly environmental rules, whose necessity has been demonstrated by a series of toxic waste disasters and explosions over the past month.

McCarthy pitched the work requirements to his stock exchange audience as the solution to the crisis in the labor market. “Right now, there are more job openings than people who are looking for jobs, in part because the Biden administration weakened work requirements. Incentives matter, and the incentives today are out of whack. It’s time to get Americans back to work.”

In other words, single mothers on food stamps are to be forced to work at minimum wage jobs under conditions of brutal exploitation at Amazon and other corporate giants.

While Senate Democrats, with a 51-49 majority, claim that McCarthy’s plan would not even receive consideration, McCarthy declared that in the Republican-controlled House, “A no-strings-attached debt limit increase will not pass.”

It is not clear whether any form of even short-term rise in the debt ceiling could pass the House, which the Republicans control by a narrow 222-215 margin. Dozens of members of the ultra-right House Freedom Caucus are pledged to vote against any increase in the debt ceiling, which would force McCarthy to seek Democratic votes.

President Joe Biden, for his part, has insisted on a

“clean” debt ceiling bill, while at the same time declaring that he is willing to meet with McCarthy and discuss significant spending cuts, as long as they are not tied to the debt ceiling.

In his remarks to Wall Street, McCarthy did touch on one set of figures that reveals the deep crisis of American capitalism. All US administrations from 1940 to the present had paid out a total of \$9 trillion in interest on the federal debt, he said. Over the next decade, the federal government was projected to pay out \$10 trillion in interest.

There will be a fair amount of slaverling over that figure on the part of the coupon clippers in the financial elite, who look to profit enormously from Treasury payments, raking in the lion’s share of that \$10 trillion. But objectively, that means that the US government faces bankruptcy. It can no longer afford the slightest compromise with the working class at home, and must fund its vast overseas military operations by plundering the living standards of the American population.



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