

White House meeting kicks off bipartisan talks on debt limit, social cuts

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President Joe Biden and top congressional leaders emerged from a closed-door White House meeting on Tuesday without agreement on Republican demands for sweeping social cuts in return for a bill to raise the US debt limit and avert a default on the nation's \$31.4 trillion national debt.

Despite dire warnings of a massive financial crisis should the US fail to meet its debt obligations, with the deadline coming as soon as early June, according to Treasury Secretary Janet Yellen, there was virtually no expectation in financial or political circles that the White House meeting would produce a deal, or even the outlines of one.

There were, however, predictions that the meeting would set the stage for intensive backroom talks between Biden administration officials and representatives of Republican House Speaker Kevin McCarthy, in which the Democrats would offer major cuts in social spending as part of a deal to raise the debt limit before the government runs out of funds to pay its creditors.

Over the weekend, Brian Riedl, senior fellow at the Manhattan Institute, wrote in the *Wall Street Journal* that the upcoming White House meeting would kickstart more substantive closed-door talks. "It's going to start the backchannel negotiations between the White House and congressional leadership staff where the real deal gets made," he said.

The participants in Tuesday's meeting—Biden, McCarthy, Senate Minority Leader Mitch McConnell, Senate Majority Leader Chuck Schumer and House Minority Leader Hakeem Jeffries—did agree to a further meeting at the White House on Friday and the immediate initiation of talks by staff from the respective camps to begin as early as Tuesday evening.

In 2011, during the last Democratic administration,

then-Vice President Biden led the talks for the White House that ended with President Barack Obama agreeing to a five-year cap on non-military discretionary spending in return for Republican votes to lift the debt ceiling. The resulting cuts in social programs came on the heels of a multitrillion-dollar bailout of the banks following the 2008 collapse of Lehman Brothers and the imposition of brutal cuts on autoworkers' wages, benefits and jobs following the bankruptcy filings of General Motors and Chrysler.

House Speaker McCarthy emerged from Tuesday's White House meeting and told reporters that he did not see "any new movement." He also said he would reject proposals that have been floated for a three-month debt ceiling extension, and the White House for its part denied it was considering such a move.

McCarthy did say, however, that he considered it "productive" that Biden had called the Tuesday meeting, implying that doing so was a concession to the Republican position of linking raising the debt limit to social cuts and the rescinding of programs included in administration bills passed over the past two years, including subsidies for electrical vehicle production and clean energy provisions. The Republicans would also claw back some \$50 billion in unspent COVID-19 funds and end the administration's already truncated efforts to roll back student loan debt.

Last month, the Republican-controlled House passed a bill allocating \$1.5 trillion to raise the debt limit until March 31, 2024, at the latest, when Congress would have once again to increase the borrowing authority. This was tied to rolling back federal discretionary spending to 2022 levels and limiting its further growth to 1 percent a year over the next 10 years—a total estimated cut of 18 percent and national debt reduction of \$5 trillion. Since none of the cuts would come from

military spending, the plan would devastate basic programs such as Medicaid and food stamps, in addition to imposing work requirements on beneficiaries. It would also rescind funds to expand the Internal Revenue Service so as to preserve the ability of the super-rich to avoid paying any significant taxes.

The bill passed with only four Republicans voting “no,” on the grounds that it was too “soft,” and no Democrats voting in favor.

Following Tuesday’s White House meeting, Senator McConnell told the press that there would be no default. However, the previous day, 43 Republican senators, including McConnell, sent a letter to Schumer warning that “we will not be voting for cloture on any bill that raises the debt ceiling without substantive spending and budget reforms.” That would be large enough to block a vote on such a bill.

The Democratic leaders and the White House are maintaining the fiction that they will not link talks on the budget to raising the debt limit. But, of course, that is precisely what they are doing, and are, in fact, seeking to use the debt crisis as the pretext and cover for imposing further social cuts of their own. Biden has already stopped hundreds of millions of dollars in COVID-related aid, including for food stamps and Medicaid, by officially declaring the pandemic—which continues to disable and kill thousands of Americans and tens of thousands around the world every week—to have ended.

This takes place even as the administration, with the bipartisan support of Democrats and Republicans in Congress, pumps tens of billions of dollars into the US-led war against Russia in Ukraine, allocates tens of billions more to bail out failing banks such as Silicon Valley, Signature and First Republic, and supports the Federal Reserve’s raising of interest rates to increase unemployment and suppress wage increases.

Democratic Senate Majority Leader Schumer alluded to the readiness of the Democrats and the White House to impose social cuts in remarks to reporters after the White House meeting. He said, “There are probably some places we can agree, some places we can compromise,” and then added that those issues had to be worked out separately from the issue of the debt ceiling.

House Minority Leader Jeffries similarly decried the Republicans’ tying of budget cuts to raising the debt

ceiling, but called the agreement for staff to begin meeting to discuss spending priorities “progress.”

Biden, for his part, called the meeting “productive.”

In an editorial published Monday morning, the *New York Times* wrote: “Still, Democrats may also have to accept that, having failed to get rid of the debt ceiling last year, a future deal with this Republican House will require some spending cuts too.”

The *Wall Street Journal* in its Monday editorial (“Spending Soars, Revenue Falls”) wrote: “The big culprit is spending, which is up 12 percent in the first seven months, or nearly \$400 billion, including timing adjustments. Entitlements are up 11 percent and education spending owing to student loan changes is up 56 percent.”

It then made the absurd statement: “You can’t soak the rich when they’re not making money.”



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