

Congress reconvenes amid budget crisis as US federal deficit doubles

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Members of the US House of Representatives return to Washington on Tuesday with only three weeks, including 12 days of scheduled legislative sessions, before the end of the 2023 fiscal year on September 30. At that point, unless a new budget is passed, or a “continuing resolution” to authorize further government spending, the federal government will begin a partial shutdown.

The stage has been set for yet another round of political theater over the budget deficit, in which the Republicans will posture as the defenders of “fiscal responsibility” (which never includes cuts in the bloated Pentagon budget), while Democrats posture as advocates of “fairness” and “compassion” (knowing that any proposed tax increases on the wealthy or social spending for the poor can never be enacted because of Republican opposition).

This degraded process will end, as it always does, with further cuts in social spending, while the military and the super-rich, the two principal clients of both capitalist parties, go entirely unscathed.

The political conflict over the budget has been exacerbated by two reports released on September 6 indicating that the federal deficit for the current fiscal year will double, from \$1 trillion in fiscal 2022 (October 1, 2021 through September 30, 2022) to \$2 trillion in fiscal 2023.

The Congressional Budget Office (CBO) reported that the US Treasury had already borrowed \$1.6 trillion in the current fiscal year, with nearly two months to go. The CBO projected a full-year deficit of \$1.7 trillion, with spending up 10 percent over fiscal 2022 and revenues down 10 percent.

The same day, the right-wing think tank Committee for a Responsible Federal Budget said that it was projecting a \$2 trillion deficit by September 30. The group said that by its calculations, federal spending was up 16 percent compared to a year ago, while revenues were down 7

percent.

The CBO estimated that individual income and payroll taxes would drop by \$313 billion this year, largely due to the decline in the stock market last year, which slashed capital gains taxes and reduced taxable income for corporations. At the same time, remittances from the Federal Reserve to the Treasury—effectively, profits from its lending to banks—fell by \$98 billion. This is largely due to the effect of higher interest rates on the home mortgage market.

The main components of the increase in spending from FY 2022 to FY 2023 included:

\$244 billion from a 12 percent rise in the total cost of the three main entitlement programs—Social Security, Medicare and Medicaid. This had two main contributing factors: continued high rates of retirement among the “baby boom” generation, and a continuing pandemic-related ban on states removing Medicaid recipients from the rolls—a prohibition that the Biden administration allowed to expire in May.

\$146 billion from a 34 percent increase in interest payments on federal debt, largely due to the extremely rapid rise in interest rates. The CBO now estimates that the federal government will pay \$10 trillion in interest over the next ten years, a staggering sum that will go largely to wealthy investors and big banks.

\$100 billion or more in military spending. There is an increase of \$67 billion for the regular Pentagon budget. A further sum, not yet estimated but perhaps as large, is due to increased military and financial aid to Ukraine and other fiscal consequences of the US-NATO proxy war against Russia.

\$91 billion from a one-time increase in spending by the Department of Education. This is a budget anomaly, as the Biden administration chose to record the entire long-term cost of its reduction in student loan debt in the month of July. This sum amounts to just over 5 percent of the

\$1.7 trillion in total student loan debt.

The latest figures have fueled demands from the Republican Party and the corporate media—including publications closely aligned with the Democratic Party—for urgent action to slash the deficit through major cuts in domestic social spending, particularly in the entitlement programs that constitute the major social support for the elderly, disabled and sick.

There are few calls within the capitalist political establishment for cuts in military spending, and none at all for cuts in interest payments, although these constitute a form of tribute paid by the federal government to the billionaires. In effect, after repeatedly slashing taxes for the wealthy, most recently in the 2017 Trump tax cut, the federal government is now compelled to borrow from the super-rich to make up the lost revenue, and pay them billions in interest.

On August 31, the Biden administration threw its support behind an effort to pass a continuing resolution, after concluding that it would be impossible for both houses of Congress to approve 12 separate budget bills, one for each major department or group of departments, by September 30.

Budget Director Shalanda Young indicated that there had to be some spending increases within the framework of a continuing resolution to avoid the crippling of several key programs, including \$1.4 billion for the Women, Infants and Children nutrition program, whose budget has been depleted by record high food prices. She warned that without new funding, WIC would have to cut benefits and implement waiting lists in October.

The House Freedom Caucus, the fascistic wing of the House Republicans, is spearheading the demands for massive spending cuts. The group recently demanded that the discretionary spending level set last May in the debt ceiling deal between President Biden and House Speaker Kevin McCarthy be lowered from \$1.59 trillion to \$1.47 trillion, a cut of \$120 billion, or about 8 percent.

Members of the caucus declared that they would vote against any budget or continuing resolution unless it included a series of ultra-right proposals, including billions in funding to resume building Trump's wall on the US-Mexico border, the restoration of Trump's "remain in Mexico" policy toward asylum seekers, and a measure to address "the unprecedented weaponization of the Justice Department and FBI"—effectively a demand for the dropping of federal charges against ex-president Trump.

Last week, fascist Georgia Congresswoman Marjorie

Taylor Greene added a new demand: "I've already decided I will not vote to fund the government unless we have passed an impeachment inquiry on Joe Biden."

Such demands might appear delusional for a group that controls fewer than 10 percent of the seats in one house of Congress, but in capitalist politics, it is the fascist tail that wags the legislative dog. Any member of the Freedom Caucus can force a new election for House speaker, under the procedure that McCarthy was compelled to accept in January as a condition for a handful of ultra-right members dropping their blockade of his election.

McCarthy is now faced with the threat that unless he embraces the Freedom Caucus demands, he could lose his post. He has already voiced support for the spending cuts called for by the Freedom Caucus, claiming that the debt ceiling deal only set a ceiling on spending, not a floor. "We can always go lower," he said.

Meanwhile, senators in both parties are seeking to add several special appropriations to any continuing resolution or budget bill, including \$24 billion more for the war in Ukraine, and \$16 billion for states like Hawaii and Florida that have been devastated by fires, heat waves, hurricanes or floods. McCarthy suggested he would back the disaster aid, but not the additional money for Ukraine, which led to a public rebuke by Senate Republican leader Mitch McConnell, an all-out supporter of the war with Russia.

In the increasingly likely event of a deadlock on the budget, the federal government would begin a partial shutdown on October 1. Many federal workers would be furloughed or instructed to come to work without paychecks if they are deemed "essential." There would be no immediate effect on the military or paramilitary police forces like the Border Patrol and Immigration and Customs Enforcement, but most civilian Pentagon workers would be sent home.



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