

# Empire Building, the Debt Ceiling, the Budget Deficit and the “Samson Solution”

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## Introduction

US and world political and economic leaders are faced with what they describe as a ‘systemic catastrophe’: the inability to pay global creditors, including domestic and foreign banks, investors and governments, who hold \$16.7 trillion in US Treasury notes. There is a related crisis: the government cannot secure passage of a budget to finance its military and civilian agencies and activities, including large-scale payments to military contractors, the financing of business, agriculture and banking operations and social programs. The raising of the debt-ceiling is central to the functioning of the financial ruling class as it extracts hundreds of billions of tax dollars in interest payments from the US Treasury. Raising the debt ceiling allows the State to keep borrowing and pay its billionaire creditors. In turn, as long as the US Treasury has liquidity, it remains a ‘safe haven’ for investors thus providing guaranteed profits. In addition, as long as the dollar remains the principle currency for global transactions, it allows the US Treasury to print money at will and to borrow at a lower cost – at the expense of its competitors and adversaries.

Financing the budget deficit requires borrowing, which involves the sale hundreds of billions of dollars worth of US government bonds through Wall Street – but at a cost to the taxpayer. The common denominator is that the entire edifice of finance capital and all of its support structures depend on debt financing by the State. By borrowing and then taxing its citizens the Treasury extracts wealth from the vast majority of Americans.

To understand the fight to raise the debt ceiling and to pass a deficit budget it is necessary to analyze the long-term, large-scale sources of State debt.

## Imperial Wars, the Ascendancy of Finance Capital and the Debt Crisis

The ever-increasing debt and the constant raising of the debt ceiling is a result of long-term, large-scale military spending to build the US Empire. The imperial enterprise has generated a huge deficit: the cost/benefit ratio has been overwhelmingly negative. Contrary to militarist propaganda, the empire has not been ‘self-financing’: Wars and occupation in Iraq, Afghanistan and elsewhere have cost the US taxpayers trillions of dollars, not off-set by incoming imperial plunder or domestic economic expansion.

Parallel to the cost of wars and occupations, the rise of finance capital has largely resulted from the pillage of the US Treasury. Huge bailouts, low interest loans, large-scale interest payments on bonds, subsidies and tax exemptions have created a financial ruling class based on maintaining a debt-laden, interest-paying State, which meets its obligations

to the creditors while it privatizes (and eliminates) social programs. The result is a 'poor indebted State' and a rich and prosperous Wall Street. Wall Street stands to gain trillions with the privatization of the multi-billion dollar health (Medicare) and retirement plans (Social Security): this will form an integral component of the "Grand Bargain" to raise the debt ceiling.

### **Who are the Beneficiaries of Raising the Debt Ceiling?**

The principle and immediate beneficiaries of increasing the debt ceiling are the wealthy, bond-holders and the medium and long-term beneficiaries are the military-intelligence-empire-builders who can continue to secure over \$700 billion in annual budget allocations. The principle strategic losers from raising the debt ceiling will be the hundreds of millions of beneficiaries of social programs like Social Security, Medicare and Medicaid and their family members. As part of the 'Grand Bargain' struck by the Democratic President and Republican Congress - between \$1.3 trillion and \$1.4 trillion in social cuts will take effect over the next ten years, according to the Congressional Budget Office. The cuts in Social Security will occur by raising the age of eligibility for full benefits to 70 years, resulting in a loss of \$120 billion, as many older retired workers would be expected to die before drawing a single payment while millions of Americans will be forced to delay retirement and work an extra five years.

Secondly, the earliest age of eligibility for partial benefits will increase from 62 to 64 years - resulting in an additional loss of \$144 billion dollars from workers.

Thirdly, the cost of living index would be reduced - a ten- year loss of \$112 billion dollars.

Fourthly, the calculation for initial benefits would discard the wage-based method for a so-called "price-index", resulting in American workers losing another \$137 billion dollars over 10 years. In sum, workers' social security benefits would be reduced by more than half a trillion dollars - an enormous transfer of wealth to the billionaire creditors, investors and empire builders - all in the name of 'debt reduction'.

The cuts in MEDICARE and MEDICAID would result in an even more retrograde class polarization. The 'Grand Bargain' could lead to additional losses of over \$419 billion dollars.

The biggest cost to the workers will come in the form of an increase in their monthly premium for physician services (MEDICARE Part B) from the current 25% to 35%, resulting in a loss of \$241 billion dollars. The second biggest loss to workers will result from raising the age of eligibility for MEDICARE from 65 to 67 years costing workers an additional \$125 billion dollars. The third loss for workers will be a \$53 billion hit from restricting the use of MEDIGAP insurance - supplementary policies that cover MEDICARE cost sharing requirements.

Further cuts of \$187 billion in MEDICAID- the medical plan for the poor and disabled- would result when the federal government shifts its direct funding to block grants to the states that would severely cut services for the poor - a plan first proposed during the Clinton Administration with regard to welfare funding.

Once these reactionary cuts in basic social programs are in place, the beneficiaries, who are able, will be forced to buy alternative supplementary private medical insurance and private retirement plans, while the poor will go without. The running down of public social services

by Wall Street has been a deliberate, cynical strategy to cause popular discontent paving the way for the gradual privatization of services: adding costs, eliminating options and limiting medical treatment, surgery and procedures, especially for the elderly. The privatization of Social Security, MEDICARE and MEDICAID, will maximize insecurity while minimizing services and lead to untreated and under-treated illness, greater suffering and economic distress. Bi-partisan Congressional -White House agreements via the “Great Bargain” to raise the debt ceiling will widen and deepen inequalities in the United States .

In sum, “the Grand Bargain” will cause American workers to lose over \$1.119 trillion dollars over the next 10 years, leading to a sharp decline in life expectancy, access to health care, living standards and quality of life.

### **The Samson Solution**

Given the harsh terms, which accompany the “Grand Bargain” to raise the debt ceiling, it would be better if no agreement were reached. The financial elite is counting on the ‘Grand Bargain’ to leverage their debt collection over the lives and welfare of hundreds of millions of Americans. It would be better to shake the pillars and pull down this Temple of Mammon (the ‘Samson Solution’) making them pay a price!

The ‘shock and awe’ induced by default would shake the very foundations of the financial pillage of the US Treasury and the taxpayers; default would seriously undermine the financial basis for imperial wars, spying, torture and death squads. The entire empire building project would crumble.

True, in the short-run, the workers and middle class would also suffer from a default. But the discredit of the ruling political parties, the political elite and Wall Street, could lead to a new political alignment, which would fund social programs by, in David Stockman’s phrase, “soaking the rich” - raising corporate taxes by 50%, imposing a financial transaction tax of 5%, uncapping the social security tax and collecting taxes on overseas US multi-nationals’ profits. Additional billions would be saved by ending imperial wars, closing bases and canceling military contracts. Tax reform, imperial dismantlement and increased domestic investment in productive activity would generate domestic growth leading to a budget surplus, extending MEDICARE to all Americans, reducing the age of retirement to 62 and providing a living wage for all workers!

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