

# The US Debt Ceiling Deal

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Global Research, August 01, 2011

[World Socialist Web Site](#) 1 August 2011

Region: [USA](#)

Theme: [Global Economy](#)

President Barack Obama made a brief White House appearance Sunday night to announce that an agreement had been reached with Republican and Democratic congressional leaders to raise the federal debt ceiling before Tuesday's deadline set by the Treasury. Speaking in advance of the opening of financial markets in Asia, Obama thanked "the leaders of both parties" and said the deal would "allow us to avoid default."

The agreement, which must still be voted on by the Senate and the House of Representatives, imposes unprecedented cuts on domestic social spending without a single dollar of increased taxes on the wealthy.

It calls for raising the debt limit by \$2.7 trillion in two stages, \$1 trillion immediately and \$1.7 trillion in four months. The increase in the debt ceiling will be matched dollar-for-dollar by cuts in spending over the next ten years, as demanded by Boehner, the top congressional Republican. Reid admitted that the deal would "give the Republicans everything they've asked for."

The first \$1 trillion will comprise spending cuts already agreed upon in bipartisan talks headed by Vice President Joseph Biden, mainly in non-entitlement domestic programs including education, housing, transportation and the environment. The immediate effect of these cuts will be substantial—\$25 billion in fiscal year 2012, which begins October 1, and \$47 billion in fiscal year 2013—and escalating thereafter.

A new 12-member House-Senate committee, consisting of three Democrats and three Republicans from each body, will have until Thanksgiving to identify an additional \$1.7 trillion to \$1.8 trillion in spending cuts, including entitlement programs such as Medicare, Medicaid and Social Security. Theoretically, the committee could also mandate an end to certain tax breaks to increase government revenues, but Republican leaders are on record opposing even token tax increases on the wealthy, and Obama and the congressional Democratic leadership have dropped their previous demand that any deficit reduction package include some tax increases.

If the bipartisan committee fails to reach agreement, the equivalent reduction will be carried out through an across-the-board spending cut in both domestic social programs and the military, with tax increases ruled out. According to press reports, the automatic cuts triggered by a failure of the committee to agree on a package would include Medicare, but not Social Security. Exempting Social Security from cuts under this scenario was the bone thrown to House Democrats, whose votes will be required to offset the expected defection of some ultra-right Republicans linked to the Tea Party.

The outlines of the deal emerged after Saturday's vote by the House of Representatives

preemptively rejecting a plan proposed by Reid that called for spending cuts and a debt ceiling increase of the same amount, but included more than \$1 trillion in reduced military spending from the winding down of the wars in Iraq and Afghanistan.

House Republicans wanted much greater cuts in social spending and they voted unanimously against the Reid bill. Nearly every liberal Democrat in the House, including former presidential candidate Dennis Kucinich, voted for the Reid bill and the massive domestic spending cuts it called for.

A revised plan by Reid, cutting \$2.4 trillion in spending, was defeated in the Senate Sunday when the Democrats could muster only 50 votes against a Republican filibuster. Two Democratic senators voted against the bill because they want even bigger cuts.

By the time the final deal was being put into shape, as one analyst noted, the Democratic bill for raising the debt ceiling would “slash \$752 billion from non-defense domestic spending over the next decade,” while the Republican alternative “would cut \$756 billion from the same coffers over that span.” In other words, the difference between the two parties of corporate America is a rounding error.

The media coverage of the debt ceiling crisis can no longer conceal the dramatic shift to the right in the Democratic Party and the Obama administration. The New York Times carried on the front page of its Sunday edition an account headlining the “rightward tilt” of the Obama White House and writing that Obama “has adopted the Republicans’ language and in some cases their policies...”

This observation, however, is itself duplicitous. It is not that Obama has gone over to the side of the Republicans. The budget-cutting agreement is the expression of the bipartisan consensus of both capitalist parties, the Democrats just as much as the Republicans. It was Obama who insisted on tying the debt ceiling increase to massive deficit reduction, dropping the initial position of the administration—following all its predecessors—that a debt ceiling increase should be considered separately from any social policy issue. (See [“Obama and the debt ceiling”](#).)

Appearing on several television interview programs Sunday, Senator Charles Schumer of New York, the third-ranking Democrat, boasted of his party’s embrace of drastic cuts in social spending, which he portrayed as “a willingness to compromise.” Schumer declared, “There are people on the left who would probably say ‘no cuts,’ but they haven’t been able to have their way within our caucuses.”

There is virtually no discussion in the media or from any of the representatives of big business, Democratic or Republican, of the actual human cost of the cuts that are being discussed. Three trillion dollars in domestic spending over ten years is a gargantuan sum—at \$300 billion a year, it would cover the annual deficits of all 50 states, twice over. It is more than the combined annual budgets of the departments of Education, Housing and Urban Development, Labor, Transportation, Agriculture and Veterans Affairs.

The initial impact of the cuts will be on the social infrastructure of education, public housing, mass transportation and environmental protection, as well as the Medicaid program for the poor, disabled and blind. In the longer term—in other words, as soon as the 2012 elections are safely past—the cuts will begin to be felt by the more than 50 million elderly covered by Medicare.

And it must be clear: these cuts are only the beginning. Spokesmen for the financial elite, such as the Wall Street Journal editorial board, are pressing for trillions in additional cuts, including the outright destruction of Medicare and Social Security, which are to be privatized and effectively abolished. Obama and the Democrats differ only on the tactical means for carrying out this historic assault on the working class.

In the final analysis, this social counterrevolution is an expression of the historical crisis and bankruptcy of American capitalism. The ruling class is determined to destroy every vestige of the gains won by American workers in a century of struggle in order to defend their own property and profits.

Working people can carry out a serious struggle against this onslaught only by recognizing its fundamental economic source. The defense of Social Security, Medicare, Medicaid and other social programs requires a political struggle against the profit system. The working class must break with the Democrats, mobilize in opposition to the Obama administration, and build an independent political movement of its own, based on a socialist and internationalist program.

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