

“Reopening the Federal Government”: Debt Default Deal Sets the Stage for Intensified Assault on Social Programs

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The bill passed by Congress late Wednesday reopening the federal government and temporarily lifting the debt ceiling establishes the modus operandi for a bipartisan deal to deepen cuts in social spending and initiate an historic attack on the core social programs dating from the New Deal and Great Society periods—Social Security and Medicare.

The outcome of the 16-day government shutdown and threat of a US default was entirely predictable, following the pattern set in previous artificially created budget and debt crises in 2010, 2011 and 2012. Once again, the most right-wing elements in the Republican Party took the initiative and set the tone for a shift further to the right by the entire political establishment.

Behind the appearance of partisan gridlock and mutual recrimination, the crisis provided the means for the Obama administration and the Democratic Party to move ahead with their own agenda of savage cuts in social programs upon which tens of millions of working people depend. To the extent there was a conflict, it was over means and tactics, not goals. At issue was how best to escalate the onslaught against the working class.

The Democratic-controlled Senate voted 81 to 18 to accept a deal that raises the debt ceiling through February 7, 2014 and funds the operations of the federal government until January 15. The bill mandates the formation of a conference committee headed by the chairs of the budget committees in the Senate and House to forge a bipartisan budget agreement by mid-December that will reduce the deficit and the national debt. This is to be achieved by implementing long-term “reforms” in basic entitlement programs such as Social Security, Medicare and Medicaid and extending cuts in “discretionary” social programs such as education, housing, nutrition, the environment, health and safety and infrastructure maintenance.

At the same time, both the White House and congressional Republicans are insisting that any budget agreement include sweeping cuts in corporate tax rates.

Later Wednesday evening, the Republican-controlled House of Representatives passed the bill by a vote of 285 to 144, with 87 Republicans joining all 198 Democrats in voting to approve. President Obama signed the bill into law early Thursday morning.

Significantly, the bill extends the automatic across-the-board “sequester” cuts that began last March into the new year. This means the \$85 billion in cuts enacted in 2013 will not be

restored and the budget negotiations in the coming weeks will take as their starting point the \$1 trillion in cuts over the next eight years mandated by the sequestration process. It is to be expected that the Democrats will, in the name of “ending” or “reforming” sequestration, seek to continue the cuts in discretionary social programs while restoring funding for the military, the intelligence agencies and the Homeland Security Department.

Obama has already made it clear that he favors unprecedented cuts in Medicare and Social Security, including raising the eligibility age for Medicare and introducing means testing and slashing cost-of-living increases for Social Security beneficiaries.

The so-called “Tea Party” Republicans, who provoked the shutdown by demanding that funding for government operations for the new fiscal year and any raising of the debt ceiling be tied to defunding the administration’s health care overhaul, dropped that demand in favor of calls for the gutting of Medicare and other social programs. This reflects the broad support for Obamacare within the corporate elite, which recognizes that the program will enable firms to slash corporate health care costs, dump workers onto Obama’s health care exchanges, and increase their profits.

Once Wall Street cracked the whip to demand a resolution of the crisis in advance of the October 17 deadline for raising the debt ceiling—with a sharp fall in stock prices Tuesday and the threat from the Fitch rating firm to downgrade US debt—both parties, including leaders of the Tea Party faction, moved rapidly to facilitate an agreement.

News that a deal was being worked out fueled a stock market rally Wednesday, sending the Dow Jones Industrial Average up by over 200 points and leaving it 1.6 percent higher than on September 30, the day before the government shutdown.

The government shutdown—with hundreds of thousands of federal workers furloughed without pay, social programs for poor people, children and the elderly disrupted—demonstrated the contempt of the entire political establishment for the American people and the anti-democratic character of the political system.

The media played its assigned role, giving the impression that millions of Americans were frustrated by the inability of the two parties to agree on imposing massive social cuts—knowing this to be the opposite of the truth.

The process laid down by the temporary budget fix passed Wednesday is entirely undemocratic. Right-wing politicians of the two big business parties, headed by Democratic Senator Patty Murray and Republican Congressman Paul Ryan, will meet behind closed doors to work out brutal cuts with no input from the public, no public hearings, and no honest accounting of what their proposals will mean for working people.

Senate Majority Leader Harry Reid, a Democrat, hinted at the anti-working class mandate of the committee that will hammer out the budget deal, saying its members “must have open minds” and “be willing to consider every option, no matter how painful to their own political ideas and even to their own political parties.”

Opinion polls made clear the widespread anger and disgust of the public over the shutdown and the attempt to make working people pay for the crisis. Yet the most striking feature of the entire process was the absence of any mass, organized expression of this opposition and the complete exclusion of the working class from the so-called “debate.”

There was not a single mass organization that denounced the shutdown or opposed it. The trade unions are completely allied with the Obama administration and support its policies of austerity and war. Neither they nor the official civil rights organizations are capable of articulating a position that is in any way independent of the politics of the American plutocracy and its two parties.

The outcome of the budget crisis has underscored once again the fundamental consensus between these parties for destroying all of the social gains won by the working class over the course of the twentieth century.

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