

# The Political Economy of US Militarism. The Debt Ceiling “Crisis”: A Bipartisan Policy Charade

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In light of the fact that in the ongoing budget negotiations President Obama and the Republican leaders share the common objective of drastically cutting non-military social spending, all the bickering between the two sides seems somewhat puzzling. Considering that their targeted cuts in social spending are almost identical, why do they squabble so much?

In the days when the Democrats and Republicans had marginally different positions regarding fiscal policy, the debate between the two parties over budgetary issues was easy to understand. The Democrats would start from the center left, the Republicans from the center right, and they would usually end up at the center. It was a very subtle division of labor as the two sides provided political cover for each other's positions or posturing.

The wrangling during the current budget negotiations, however, is somewhat different: it is prompted not so much by a clash of differing positions on the two sides as it is by a competition over the same or similar position by both parties—a competition to win the hearts and minds of the Wall Street bigwigs. The Republicans are angry because they feel that the president has broken traditional rules of the bipartisan game, and has staked out their customary position on the right. And Mr. Obama is incensed because the Tea Partiers within the Republican Party are not playing by the conventional rules, and are not providing him with the tax cover he needs in order to justify his bigger-than the Republicans' cuts in social spending.

Viewed in this light, the disagreement between Barack Obama and John Boehner is essentially similar to the disagreement between two military generals or commanders who fight a common enemy—in this case the American public—but disagree over the tactics of how to defeat that enemy. In other words, they have a shared strategic goal (of dismantling social safety net programs) but different tactics of achieving that goal. That's the essence of the ongoing backbiting between the two sides.

The National debt ceiling has been raised many times since the mid-1970s in order to facilitate the drastic increases in military spending, the major tax breaks for the wealthy and, most importantly, the multi-trillion dollar bailouts of the Wall Street gamblers. Having thus accumulated nearly as much debt as gross domestic product (\$14.3 trillion), the bipartisan servants of the plutocracy now claim that the debt ceiling would reach its “crisis” limits by August 2nd, and that it cannot be raised beyond this “critical” limit without counterbalancing cuts in non-military social spending.

The Republican leadership initially sought to take advantage of the budget negotiation by

holding the debt ceiling hostage to severe cuts in social spending in order to score political points with Wall Street against President Obama. “These calculations were upset, however, when Obama proposed even greater spending cuts than those demanded by the House Republicans. . . .He even proposed to put cuts in Social Security on the table, leading to House Republican complaints that they had been ‘outflanked’ by the White House” [source].

At an earlier stage of negotiations, the House Republican leader, Speaker John Boehner, insisted that the legislation to raise debt ceiling ought to include spending cuts (dollar-for-dollar) equal to the raise in the ceiling. He proposed an increase of \$2.4 trillion in the ceiling, matched by cuts in social spending of the same magnitude.

President Obama countered by proposing a much bigger package, \$4 trillion, which included the collection of some vaguely-defined taxes from the wealthy. Inclusion of the tax provision made the president’s proposed package appear more balanced and somewhat progressive. A closer scrutiny of the package, however, revealed two problems. First, the suggested tax revenue to be collected from the wealthy was estimated to be only \$1 trillion, which left the remaining \$3 trillion to be cut from social spending—obviously bigger than Boehner’s proposed cut of \$2.4 trillion. Second, the purported \$1 trillion new taxes on the wealthy was designed not to come from higher tax rates on the highest incomes but from closing or narrowing some tax loopholes for large corporations, which would eventually be recovered by those corporations in the form of lower tax rates:

“His proposals for closing a few tax loopholes that benefit corporations and the wealthy were largely regarded by the financial aristocracy as a minor inconvenience that would provide a political cover for the overall budget cutting. . . . Moreover, the multimillionaires have been assured that any small charges on their wealth incorporated into an eventual deficit-reduction package will be more than recouped in tax reform proposals that will slash overall tax rates on corporations and high-income households” [source].

In return for his unflinching service to big business, Mr. Obama has been handsomely rewarded through generous infusion of cash contributions to his reelection campaign, more than twice as much as that of all the Republican candidates combined.

Despite his success in outdoing his Republican rivals in winning the trust and the cash contributions of the Wall Street, Mr. Obama has nonetheless been uncharacteristically agitated during the ongoing budget negotiations. For example, he angrily walked out of a meeting with the Republican leaders on July 13 when the discussion to raise the debt ceiling broke down. Lashing out at the House Majority Leader Eric Cantor (R-VA), the President blurted out, “don’t call my bluff,” adding that he would veto any short-term bill that Cantor sent him. The president “lit up Eric Cantor like he’s never been lit up,” wrote Joe Klein of the New York Times. The question is why? Why has the usually unflappable President been unusually edgy during these negotiations?

I suspect the reason is that his plan to camouflage his big cuts in social spending by wrapping them up in a token or fake tax hike on the wealthy has been exposed by the Tea Party elements of the Republican Party who adamantly opposed any change in taxation, thereby depriving him of the cover he needed to misrepresent his budget plan: pretending that he was fighting “the Republican budget cutters” on behalf of the working people while feverishly working to serve the corporate welfare system.

Two conclusions can be drawn from this brief discussion.

First, it is obvious, as many others have pointed out, the debt ceiling “crisis” is used as a charade by the bipartisan policy makers in both the White House and the Congress in order to recoup from the working and needy people the trillions of dollars they gave (and are still giving) to Wall Street gamblers, to the beneficiaries of war and militarism, and to the super-rich (in the form of huge tax breaks). By the same token, it is also obvious that most of the bipartisan posturing and wrangling, significantly heightened and mystified by the corporate media, is designed to scare the people of a “looming debt crisis,” to hide their real intentions of cutting the people’s bread and butter, and to endear themselves to big business in pursuit of cash contributions for their reelection.

Second, the labor and liberal supporters of President Obama have an important lesson to learn from these budget negotiations: that his economic (like his foreign) policies are not any different than those of his Neoliberal/Neoconservative colleagues in the Republican Party, that his allegiance and dedication is primarily to the corporate welfare system, and that it is time to come out of the denial of these facts, and not waste their votes on Obama in the next presidential election.

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