

# The debt limit deal and the social counterrevolution in America

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The agreement reached by the Obama administration and Democratic and Republican congressional leaders to raise the federal debt limit marks a turning point in the class struggle in the United States. The deal imposes sweeping cuts in vital social programs upon which millions of working people depend without a penny in tax increases on the corporations or the wealthy.

It inaugurates a frontal attack on Medicare, Medicaid and Social Security as part of a drive to reverse all of the social reforms of the 20<sup>th</sup> century. It sets a precedent for an escalation of the assault on social programs far beyond the already cruel cuts mandated in the agreement by linking increases in the federal debt limit to the equivalent amount in deficit reduction. The current issue of *Bloomberg Businessweek* features a cover story headlined “Why the Debt Crisis is Even Worse Than You Think” which argues that \$15 trillion must be slashed over the next decade—more than five times the level of cuts in the agreement reached over the weekend.

This class-war measure is being implemented under conditions of a virtual collapse in economic growth. A barrage of recent economic data demonstrates that the so-called economic recovery has stalled. Layoffs are mounting and unemployment—already affecting at least 25 million Americans—is set to rise. Programs such as food stamps, home heating assistance, public health, housing aid—not to mention the basic health care and pension programs for the elderly and the poor—are to be slashed just as millions more unemployed and underemployed Americans require them for their survival.

The agreement was dictated by Wall Street. The bankers and corporate CEOs wanted to avoid a default while using the threat of one to slash social spending and open up a full-scale assault on social programs dating back to the 1930s. The spending cuts will further erode the enforcement of regulations on big business, including environmental standards and health and safety rules, giving the corporations even freer rein to plunder the

country. And the deal excludes any increase in taxes on the rich.

The spectacle of cynicism, manipulation and lies that has accompanied the adoption of the plan testifies to the putrefaction of American democracy and the hostility of both major parties and the entire political system to the interests of the working class—the vast majority of the population. The debt limit crisis was manufactured to provide a pretext and the political atmospherics for ramming through a historic attack on the working class.

There was a division of labor between Obama and the Republicans to impose austerity measures on which both sides were agreed. The so-called Tea Party Republicans—a product of media promotion and cash injections from right-wing billionaires—served to push the debate ever further to the right. But Obama played the critical role by tying an increase in the debt ceiling—previously a semi-automatic technical matter—to cuts in social programs. He outflanked the Republicans from the right by proposing reductions in Social Security as part of the fiscal plan.

This set the stage for Obama and the Democrats to drop their fig leaf of a “balanced approach”—the closure of a few corporate tax loopholes—in exchange for a deal to avert a federal default.

When the Tea Party congressmen became an obstacle to pushing through the deal desired by the financial elite, they were pushed aside. As for the Democratic “progressives” in Congress, their supposed opposition to attacks on the working class was once again exposed as two-faced, impotent and insincere.

The cuts in social programs as well as the rejection of tax increases for the wealthy fly in the face of popular sentiment. Recent opinion polls show that nearly 75 percent of Americans oppose cuts in Medicare and large majorities support increases in taxes for the rich.

The entire framework of the official debate on the deficit is based on the lie that there is “no money” for

social programs. No such objection was raised when Wall Street demanded trillions of dollars in taxpayer funds to cover its bad debts. Since the bank bailout of 2008-2009, corporate profits have soared along with CEO pay, while household wealth of ordinary Americans has plummeted and wages have continued to fall. The financial aristocracy concentrates more of the national wealth in its hands than ever before.

Bush and Obama bankrupted the federal government in order to bail out Wall Street, and now the ruling class and its political servants in both parties are carrying out a social counterrevolution to make the working class pay the cost. Since the eruption of the financial crisis in September 2008, the ruling elite has exploited the breakdown of its system to permanently restructure class relations and impoverish the working class.

Corporate America is sitting on a cash hoard in excess of \$2 trillion, refusing to spend the money to hire people so that it can utilize mass unemployment to blackmail workers into accepting wage cuts and sweatshop conditions. This mountain of cash, which is roughly equivalent to the increase in the debt limit, is sacrosanct, while the jobs, wages, health care, schools and pensions of working people are deemed expendable.

In his remarks Sunday night hailing the debt ceiling agreement, Obama once again boasted that he was overseeing “the lowest level of annual domestic spending since Dwight Eisenhower was president.” It should be noted that during that administration half a century ago there was no Medicare, Medicaid, food stamps, Environmental Protection Agency, Occupational Health and Safety Administration, or federal aid to education.

Exposed as well by the anti-working class, right-wing policy of the Obama administration is the fraternity of left-liberals grouped around the *Nation* magazine and the middle-class pseudo-socialists of the International Socialist Organization and similar groups who hailed Obama’s election and portrayed him as the reincarnation of Franklin Delano Roosevelt. Their evolution to the right, bound up with the rejection of class as the basic category of social life in favor of various forms of identity politics, has led them into the camp of bourgeois politics and a president who is seeking to undo the social reforms enacted under FDR.

The analysis of the Socialist Equality Party has been completely vindicated by these developments. The SEP repeatedly warned that Obama would not carry out a policy of social reform, but rather would follow the dictates of the bankers and corporate CEOs who had

organized and financed his election campaign. The SEP explained that the financial panic that erupted in September 2008 was an expression of a fundamental crisis of American and world capitalism. At the center of this crisis was the historic decline in the global position of the United States. Obama and the Democrats, the SEP insisted, were no less the representatives of the financial aristocracy and no less hostile to the interests of the working class than the Republicans.

The SEP alone fights for the independent mobilization of the working class in opposition to all cuts and all attacks on living standards. It alone fights for a socialist program, based on the nationalization of the major corporations and banks under the democratic control of the working class to provide jobs, decent wages, housing, education and a secure retirement for all.

As the disastrous impact of the social cuts is felt by working people and youth, social struggles will break out that will directly pit the working class against the government. The critical issue is the building of a revolutionary leadership to provide a socialist perspective and program to unite and guide these struggles toward the establishment of a workers’ government.

This leadership will not arise on its own. It must be built. We urge all workers and youth looking for a way to fight the capitalist onslaught to join and help build the Socialist Equality Party.

For more information on joining the SEP, click here.

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