

Debt ceiling deal means austerity for workers and the poor

written by Chris Fry
June 17, 2023



Democrats and Republicans vote to raise the debt ceiling benefits Wall Street banks and corporations – hurts workers and poor.

With tremendous media fanfare, President Joe Biden and Speaker of the House

Kevin McCarthy agreed to allow the so-called “debt ceiling” to be raised until 2025. Despite assuring the public that cutting money to federal programs designed to assist workers and poor people was “off the table,” Biden once again surrendered to the Wall Street demands that the working class and oppressed shoulder the burden for resolving the crisis that the capitalist class itself created.

Central to the agreement was a 3% hike in the massive military budget, \$886 billion next year, \$896 billion in 2025, to be paid for, not by any new taxes on corporations or any fabulously wealthy billionaires, but instead by literally stealing bread from the mouths of the poor by imposing new racist “work requirements” for recipients of food stamps and by eliminating any more student debt moratoriums.

The environment also takes a big hit from this new deal as well. A huge natural gas pipeline project, the Mountain Valley Pipeline, which will cross 300 miles of West Virginia, including many rivers and streams, is included in this package. The deal specifically rules out any court review of this project.

It’s no accident that two key Democratic Senators tied to this project have gained big money, according to a May 30 New York Times [article](#):

One of the companies behind the pipeline, NextEra Energy, is a major donor to Mr. Schumer and Mr. Manchin. In the 2022 cycle, NextEra’s employees and political action committees gave \$302,600 to Mr. Schumer and \$60,350 to Mr. Manchin, according to the Center for Responsive Politics.

Millions of people now suffer from the intense smoke coming into the country from Canadian wildfires made far more intense and widespread by energy companies’ carbon emissions. This deal shows that Wall Street’s minions from both parties in Congress and the Senate are far more loyal to the oil and gas industry than to the public struggling to breathe.

Also, an \$80 billion item to catch corporate and billionaire tax cheats was reduced to ensure that the wealthy are protected from paying for essential social services for our class. A June 4 Market Watch [article](#) points out:

If there were no tax cheats in America, there would be no Social Security crisis. Benefits could be paid, and payroll taxes kept the same, for the next 75 years.

Student loan payment moratorium ends

The moratorium on payments for student loans, which had been extended nine times since the beginning of the pandemic, will end in late August, according to the debt ceiling agreement. Pleasing to the banking patrons of both political parties, this will place a heavy new burden on the vast number of underpaid young people across the country.

According to a June 4 Time [article](#):

The number of people taking out mortgages and auto loans has substantially risen this year, but people are still struggling to pay off debt. Americans are making late car payments at higher rates today than they have since the Great Recession, according to the New York Fed. As inflation rates surpassed incomes throughout 2022 and early 2023, Americans were going into credit card debt at alarming rates, largely over groceries and other essentials.

Biden's proposal for modest student loan forgiveness faces a severe challenge by the right-wing Supreme Court this year.

Work or starve

The radical Republican Party made it a point to push for new "work requirements" for those people who need food stamp assistance to purchase food. Biden decided to cave to this demand by Trumpist Republicans by agreeing to raise the top age where

childless people have to work or look for work from the age of 50 to 54 to be eligible for the Supplemental Nutrition Assistance Program (SNAP).

A [report](#) from the Center on Budget and Policy Priorities notes that this change will put nearly 750,000 people at risk of losing essential food. Nearly half of those affected by this are women.:

The expansion of this requirement would take food assistance away from large numbers of people, including many who have serious barriers to employment as well as others who are working or should be exempt but are caught up in red tape.

Strong research evidence on SNAP's existing work-reporting requirement shows that it does not increase employment or earnings but does cause many people to lose food assistance. Those who would be newly at risk of losing food assistance have very low incomes, typically well below the poverty line, and would be pushed even deeper into poverty if they lose SNAP.

The debt ceiling agreement also imposes new onerous work requirements for those in the Temporary Assistance for Needy Families (TANF) program. The agreement requires states to prevent more poor families with children from exempting people from stringent work requirements. This places more children into poverty at a time when the tax relief program that briefly lifted millions of children out of poverty was eliminated.

On June 3, the NAACP [commented](#) on the debt ceiling agreement:

The NAACP warned earlier this month that while a congressional impasse would fall most heavily upon Black Americans, work requirements for assistance “must be resoundingly rejected.” [NAACP President Derrick] Johnson said such proposals “play on racist stereotypes.”

Why austerity now?

Why is the ruling class eager through its politician minions to impose harsh cutbacks to social programs now? After all, the unemployment rate is a low 3.6%. The answer may lie in a June 13 LA Times [article](#) with an unusually truthful title: “Column: Wage growth doesn’t drive inflation. So why is the Fed out to crush workers?”

The writer, Michael Hiltzik, points out that Fed Chairman Jerome Powell constantly opines that the only way to reduce inflation is to rob workers of their jobs:

Powell treated every statistic showing labor market strength — low unemployment, “excess demand” for workers, persistent wage increases — as an obstacle to reducing inflation.

Hiltzik describes this analysis as common among economists:

The most direct expression of this argument came last June from former Treasury Secretary Lawrence Summers, who said in a June 20 speech in London, as reported by Bloomberg: “We need five years of unemployment above 5% to contain inflation — in other words, we need two years of 7.5% unemployment or five years of 6% unemployment or one year of 10% unemployment.”

But as Hiltzik points out, contrary to what these well-heeled and well-paid economic “experts” always at the beck and call of the billionaire class say, low unemployment does not increase inflation:

They ignored the contribution of corporate profiteering, despite data clearly showing that business profits were expanding sharply — in other words, businesses were raising prices far more than they needed to cover rising costs.

Hiltzik points out that workers use hard-won wage increases to try to “catch up”

with inflation, not cause it:

According to the most recent wage report by the BLS, earnings increased by an average of 3.4% in May, compared with a year earlier. Real wages, however — accounting for inflation — fell by 0.7%.

Capitalist crisis unfolds

The billionaire class employs an army of economists, many of whom are pointing to storm clouds ahead for their economic system.

In the aftermath of the March and April panic bank runs at three large regional banks, the Politico journal published an [article](#) with an apt title – “The slow-motion trainwreck everyone sees coming”:

As the federal government strives to contain financial market turmoil, the next risk looming over the nation’s banks is in plain sight: the \$20 trillion commercial real estate market.

Some \$1.5 trillion in mortgages will come due in the next two years, a potential time bomb as higher interest rates and spiraling office vacancies push down property values.

And because 70 percent of bank-held commercial mortgages sit on the balance sheets of regional and smaller lenders, a write-down in commercial loans could spell big trouble for the financial system and spill over into the larger economy just as the 2024 presidential campaign gets underway.

With the country careening toward a possible recession, the financial system is especially vulnerable to shocks as the turbulence sparked by the collapse of three regional banks showed. Adding a commercial real estate market slide to the mix would be particularly perilous. It’s a concern that’s top of mind for

policymakers in Washington — even as they acknowledge there's not a lot they can do to fend off a crisis.

The unfolding austerity program that the right wing is pushing so hard for and which the Biden White House has largely settled on is meant to protect the profit streams of the huge banks and multinational corporations. Hand in hand with the so-called “culture wars,” it is meant as a preemptive strike to weaken and divide the workers and oppressed, to force us to accept a lower standard of living for ourselves and our families, to toil even harder to enrich the billionaire class, even while the planet burns.

The question is: Are we going to accept this without a unified mass struggle?

Source: [Fighting Words](#)

