

United States: “Debt Ceiling” Deal – Who Won and Who Lost?

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There was much hype in the media about the threat of the U.S. defaulting on its debts if Congress did not raise the “debt ceiling” on how much the government can borrow. This was a false crisis, as there never was any doubt that the two capitalist parties would come to an agreement and wouldn’t default, as they always have done.

President Biden hailed the agreement as a “big win” for the country.

Just who “won big” and who lost?

One big win for the fossil fuel industry was the approval of the Mountain Valley Pipeline, which climate activists have been opposing for over a decade. The \$6.5 billion project will carry fracked natural gas from the Marcellus shale field in West Virginia 300 miles across about 1,000 streams and wetlands before ending in Virginia.

The Sierra Club and other environmental groups have said the pipeline should be subject to stronger Clean Water Act reviews, which will not happen now.

The burning of this gas would release about 40 million tons of carbon dioxide a year, the equivalent of what nine million cars produce annually.

One Virginian Democratic politician said, “This project would disproportionately impact the most vulnerable among us, including low-income, the elderly, and tribal and Indigenous communities throughout Virginia.”

Particularly onerous is a provision that would make it impossible for any judicial review of the pipeline — no lawsuits by those affected, or legal challenges to its impact on global warming.

It was the White House that demanded that the go-ahead for the pipeline be put in the Debt Ceiling bill and was responsible for its wording, according to the New York Times. It turns out that Biden had made a promise last summer to the main proponent of the pipeline, Democratic Senator Joe Manchin from West Virginia, to pass this provision.

Manchin himself is a coal baron and champion of fossil fuels.

One of the companies behind the pipeline, NextEra Energy, is a major contributor to Manchin and to Chuck Schumer, the Democratic Majority Leader in the Senate.

“The agreement would order federal agencies to approve any outstanding permits for the pipeline within 21 days and exempt those permits from judicial review,” says the Times.

Biden said the pipeline’s approval was needed for reasons of “national security.” Be suspicious

whenever the government invokes “national security” — a euphemism for the interests of the capitalists.

Biden talks big about doing something on the threat of global warming, but is going full steam ahead on approving new drilling and fracking. Besides the Mountain Valley Pipeline, Biden opened federal land in Alaska for Conoco Phillips to drill for oil in a huge oil field in March, just two major recent examples of a slew of permits.

All this can set a precedent for other environmentally dangerous projects to be approved.

Other Winners and Losers

The agreement of course doesn't cut the war budget, but raises it to \$886 billion for 2024 and to \$895 billion in 2025 for the “Defense” Department, and when military spending by other departments are added in, to over a trillion dollars per year total, which will only increase in Washington's “forever wars.”

The bill cuts so-called nondefense discretionary spending for social needs for 2024, and allows this to rise by 1 percent in 2025, “which is effectively a budget cut, because that is projected to be slower” than inflation, the Times reports.

Private lenders for loans to students for college are also big winners in the agreement. Such loans are needed because of mushrooming costs for higher education imposed by educational institutions. These lenders (banks and so forth) have campaigned to end the moratorium put on such loans during the pandemic, which is done by the “Debt Ceiling” agreement.

Many students are saddled with paying back these loans for years after, whether they graduate or not, and that will now resume.

One major private lender's stock price began rising as soon as the deal was being finalized.

Past Congresses made drastic cuts in what the rich pay in income taxes and corporation taxes, cuts which are one reason for the rising national debt (another being the super-bloated war spending). These cuts are preserved.

In addition, it is estimated that hundreds of billions of dollars owed by the very rich go unpaid each year.

It is well known that even the taxes corporations are supposed to pay are easily avoided, by legal loopholes and not so legal shenanigans. There was talk in Washington of increasing the number of Internal Revenue Agents and the IRS budget to begin to update its antiquated technology to fight this, but the agreement goes in the opposite direction.

The bill immediately rescinds \$1.38 billion from the IRS, and will over the next two years repurpose \$20 billion from the \$80 billion it received from last year's (misnamed) Inflation Reduction Act.

“The clawback will eat into the tax collection agency's efforts to crack down on rich tax cheats,” The Times reports. “This is also a win for Republicans, who have been outraged by the prospect of a beefed up IRS and approved legislation in the House to rescind the entire \$80 billion.”

The bill also imposes new work requirements on poor older Americans over 50 who receive food stamps and who receive aid from the Needy Families program. Under current law, those work requirements only apply to people 18 to 49 years old.

Under the current law and the new one, while there are requirements to work in order to receive food stamps, there is no provision to provide such work.

The Republicans passed their version of even steeper cuts in taxes for the rich and social programs for the rest in the House, as a bargaining chip in the negotiations with Biden over the “Debt Ceiling”.

Democrats Get What They Wanted

Before the Midterm elections in early November 2022 the Democrats had a slim majority in both the Senate and House, and they had the presidency. They lost their majority in the House as a result of the elections. But until the new Congress was seated early in 2023, the Democrats still controlled both houses.

They knew that there would be a vote to raise the Debt Ceiling in 2023. They could have simply voted to raise it before the new Congress was seated, and the whole fake “crisis” would have been avoided, but they refused to do that. The establishment Democrats, led by Biden, wanted this outcome, this Debt Ceiling deal.

That this is so is further indicated by the fact that the Fourteenth Amendment to the Constitution, that is still in effect, clearly states that the “validity of the public debt of the United States ... shall not be questioned.”

It was raised with Biden that this not only gives him power to honor the U.S. government’s debts, it requires him as the chief executive officer to do so, whatever the Congress voted on the debt ceiling. Biden openly refused to consider this option.

Throughout his career, Biden has made it clear that he wants to “work with” Republicans on the U.S. government’s budget, which means in this case the Debt Ceiling bill recently passed.

When the agreement was reached and he signed it into law, Biden addressed the American people. He said that passing the agreement was “critical”, and “The only way American democracy can function is through compromise and consensus, and that’s what I worked to do as your president — you know, to forge a bipartisan agreement where it’s possible and where it is needed.”

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