

Reflecting the Decline of the U.S. Empire — Wall Street Wins the Debt Ceiling Agreement and We, the People, Lose!

Statement by the Revolutionary Organization of Labor, USA on the Debt Ceiling
Crisis and the Congressional “Compromise” reached on August 2, 2011

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On August 2nd, the very last day before the U.S. government would have begun to default on its debts, the Democrats and Republicans (including its tea party members) in the U.S. Congress reached an agreement on a deficit reduction plan, and President Obama immediately signed the bill. They agreed to raise the debt ceiling limit from the \$14.29 trillion reached on that day by as much as \$2.4 trillion in three installments. According to the agreement, Congress cut almost one trillion dollars in spending over the next ten years and has set into motion a “requirement” that will lead to an additional \$1.5 trillion being reduced from the current deficit by late November of this year. Thus, the \$2.4 trillion increase in the debt ceiling limit is matched by about the same amount of *planned* debt reduction.

From the Wall Street bankers and Corporate America there was a sigh of relief. For those of us on *Main Street, the rest of us*, the working class and oppressed nationalities, in particular, there was no relief in sight. In fact, we now have even more reason to worry about the future of our families, our communities, our country and the world’s peoples.

In the original “Shadow-boxing” on the issue of debt reduction and the debt ceiling between the Republicans in Congress, led by Speaker of the House John Boehner, and the Democratic Party, led by President Barack Obama, the Democrats promised to keep Social Security, Medicaid and Medicare off the bargaining table. They

promised that the rich would be made to pay more taxes as a major component of any decision on these issues — especially as they have been paying scandalously little taxes since the Bush tax cuts, extended by the Obama-Republican Congressional actions last December.

The truth is, however, that Obama and the Democrats are in league with the Republicans. As the current leaders of “Republicrat” political rule on behalf of Wall Street, of U.S. monopoly capitalism and imperialism, *Democratic* President Obama and *Republican* House Speaker Boehner were conspiring to impose on the people of the USA a \$4 trillion dollar deficit reduction plan that combined increased tax revenues with cuts in previously sacrosanct social programs including Social Security, Medicaid and Medicare. Such a plan would have been enough to satisfy Standard and Poor (S and P) and keep the major U.S. creditors (holders of IOU’s in U.S. dollars) at bay. The tea party members of the U.S. Congress, in their effort to starve the federal government *and* defend the rich from any tax increases, blew up the Republicrat plan.

The results of the two months of supposedly “ferocious” battle between the twin ruling class parties were ultimately revealed on August 2nd, as follows: 1. In a repeat of last December’s Obama-Republican surprise agreements in Congress – there were no tax increases for the rich at all; 2. The majority of cuts on government spending have been deferred until after the 2012

election but it is crystal clear that the Republicrats intend to keep the massive and obscene War Budget intact and to place the entire burden of the economic crisis on the shoulders of Main Street, especially the U.S. workers and oppressed nationalities; 3. Given the magnitude of the U.S. government debt and the down-to-the-wire timing of the August 2nd agreement, *the deficit reduction plan is clearly "too little, too late."* Moody's Investors Service continued the U.S. government's AAA credit rating but officially signaled it was prepared to downgrade it unless more is done to deal with the deficit. S and P actually *downgraded* the U.S. government to AA+, the first time in U.S. history that the USA has lost its AAA status!

Combined with the unraveling of the European Union, the loss of faith in the U.S. Empire's previously "Almighty Dollar" has led to the beginnings of a new rapid slide in stock markets all over the world. And the only reason U.S. treasury securities are still being purchased is because there are hardly any "safe havens" for investment capital anywhere in the world in this period of systemic capitalist collapse.

Meanwhile, an editorial in *Xinhua*, China's state-run newspaper asserted: "China, the largest creditor of the world's sole superpower, has every right now to demand the United States to address its structural debt problems and ensure the safety of China's dollar assets. To cure its addiction to debts, the United States has to reestablish the common sense principle that one should live within its means ..."

In a recent *Wall Street Journal* column, Martin Feldstein, chairman of the Council of Economic Advisers under Ronald Reagan, echoed the Chinese authorities' sentiments. He asserted: "A falling dollar may be the only major economic change that can accelerate the anemic pace of recovery and prevent a new downturn in U.S. economic activity. The declining dollar has been the key driver of American exports. ... Although exports are only 10% of U.S. GDP, the rise in exports during the past four quarters contributed more than 50% of GDP growth during that period." ("A Falling Dollar Will Mean a Faster

U.S. Recovery," *WSJ*, 8-1-11) Feldstein explains that, unlike "Europe's highly unionized economy," "in the U.S., where only 7% of private workers are unionized, there is now little danger of an inflationary wage-price spiral." (*ibid*) In other words, Feldstein is counting on U.S. workers being too weak and divided to mount a powerful trade union and/or political response to *a rapid devaluation of the dollar and our real wages, worsening standard of living, etc.* (Compare, for example, the powerful anti-government austerity struggles in the streets carried out by the Greek working people throughout this crisis).

In early 2010, we observed: "Barack Obama is well suited for the difficult task of presiding over an orderly march of the U.S. population to impoverishment in the desperate effort of the U.S. monopoly capitalist and imperialist ruling class to save itself and its hegemonic position in the world capitalist system." We continued: "This march to impoverishment, however, is still only in its beginning stages. And the challenge to the U.S. monopoly capitalist and imperialist ruling class and President Obama to lead the masses of working people and oppressed nationalities in the USA to poverty *without us* opting to revolt, *without us* turning to socialist revolution for the way out of our difficulties, will only get more difficult." ("The Tea Party Movement, the Obama Regime and the Growing Fascist Danger in the USA," *Ray O'Light Newsletter #59*, March-April 2010)

The Debt Ceiling Debate and August 2nd Agreement of the Obama-led Republicrats and the Tea Party members of Congress is a new step on the road to *our* ruin. *When will we workers and oppressed nationalities in the USA begin to revolt against the collapsing capitalist system and its rulers on the path to socialist revolution?*

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