



This is not a normal budget fight

MAGA extremists are threatening the global economy?
What do the MAGA forces want?

6.1.23

Debt Ceilings, Federal Shutdowns, and Deficits –Oh My!
Jason Negrón-Gonzales, Seed the Vote's Incoming Political Director



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Part 1:

Putting Debt Ceilings in a Broader Context

We are meeting on the very day the Treasury says we will run out of money to pay our debts. **Wtf is really going on?** Why should we care about it?



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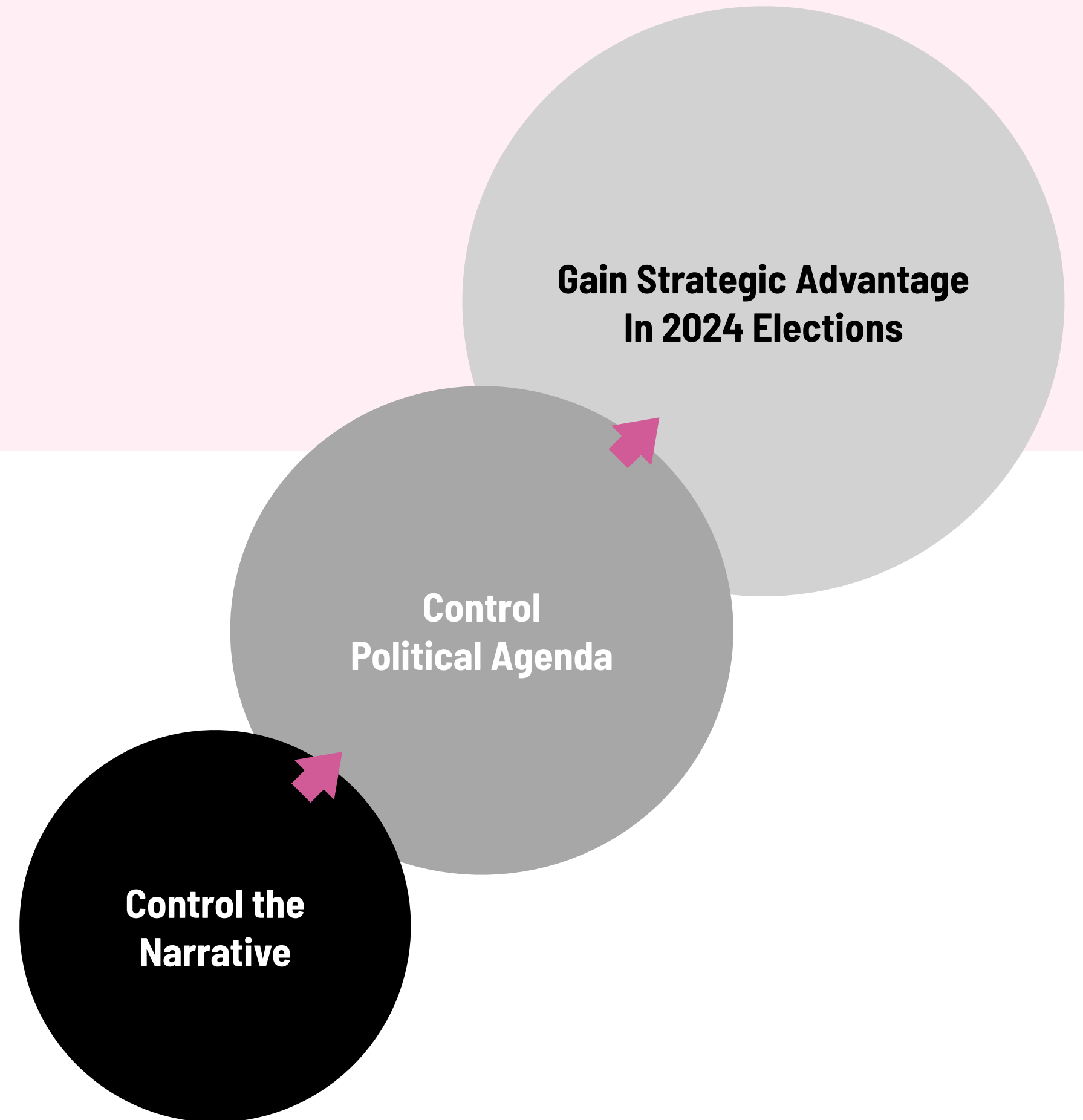




Pt 1: The Debt Ceiling

What do Republicans really want?

Extremists use the **threat of default** to force cuts they couldn't move through the democratic legislative processes.



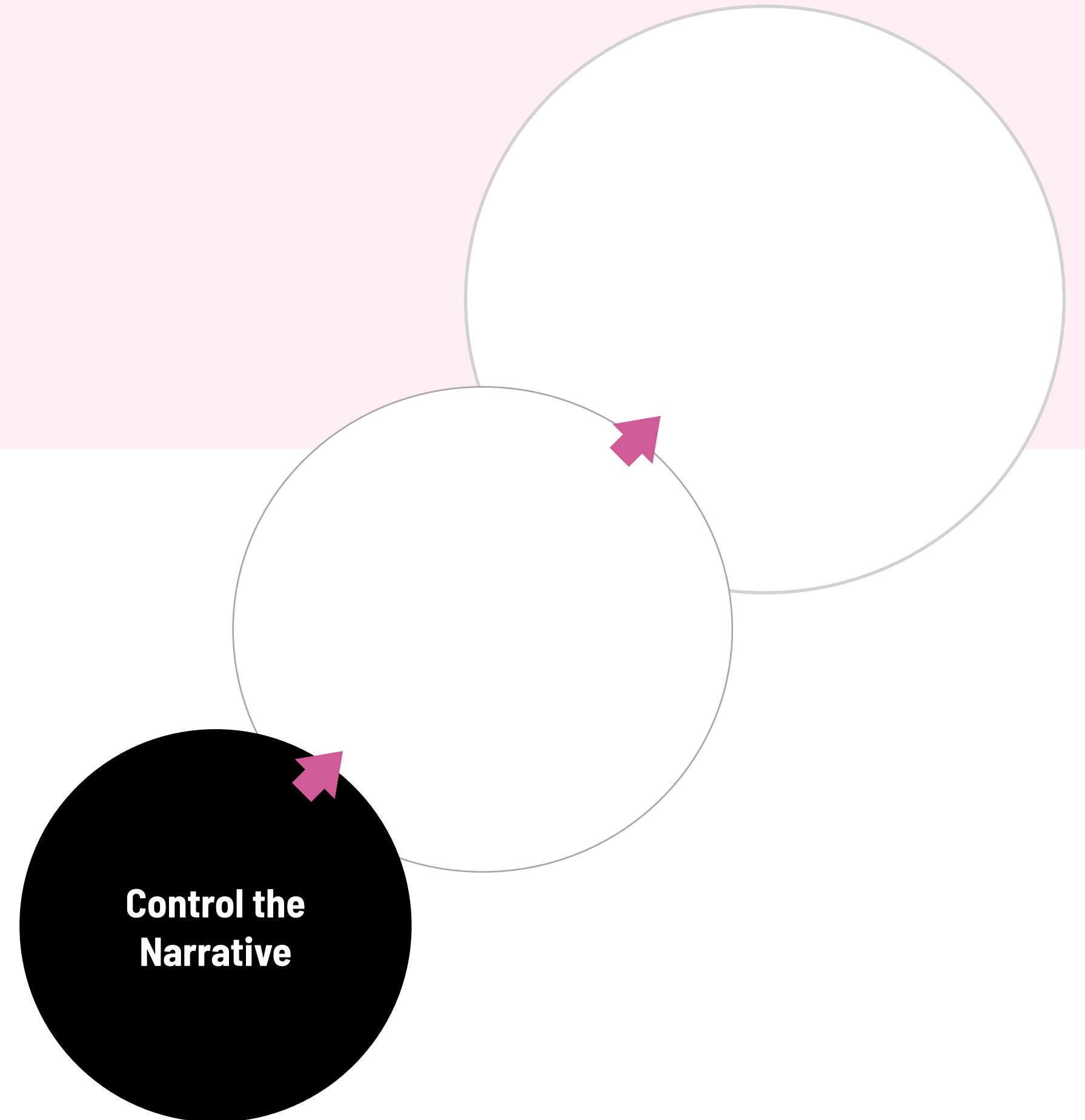


Pt 1: The Debt Ceiling

Control the Narrative

To expand their control over the narrative about budgets, taxes, and spending:

- Sow confusion and fear
- Disinformation:
 - "Debt is bad; we have to control spending or else, etc."
 - Government is wasteful
 - Dog-whistles: whom is money spent on? Takers. Whom is it taken from: Makers.
 - And it goes toward 'woke' programs (somehow).



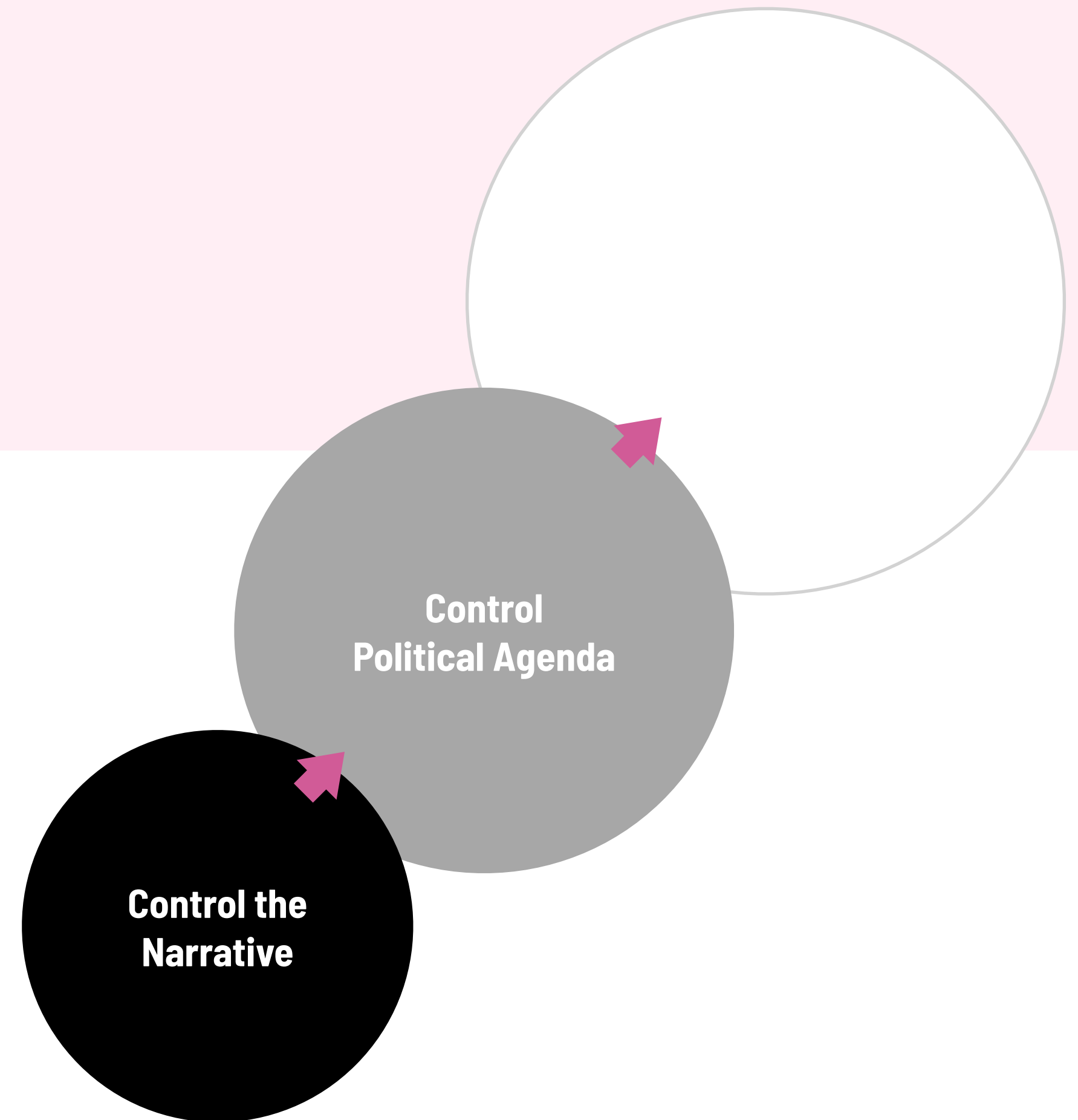


Pt 1: The Debt Ceiling

Control the Agenda

To push austerity politics:

- Roll-back programs,
- Shred safety nets,
- Hamper the government's ability to do things for people,
- Prevent tax increases



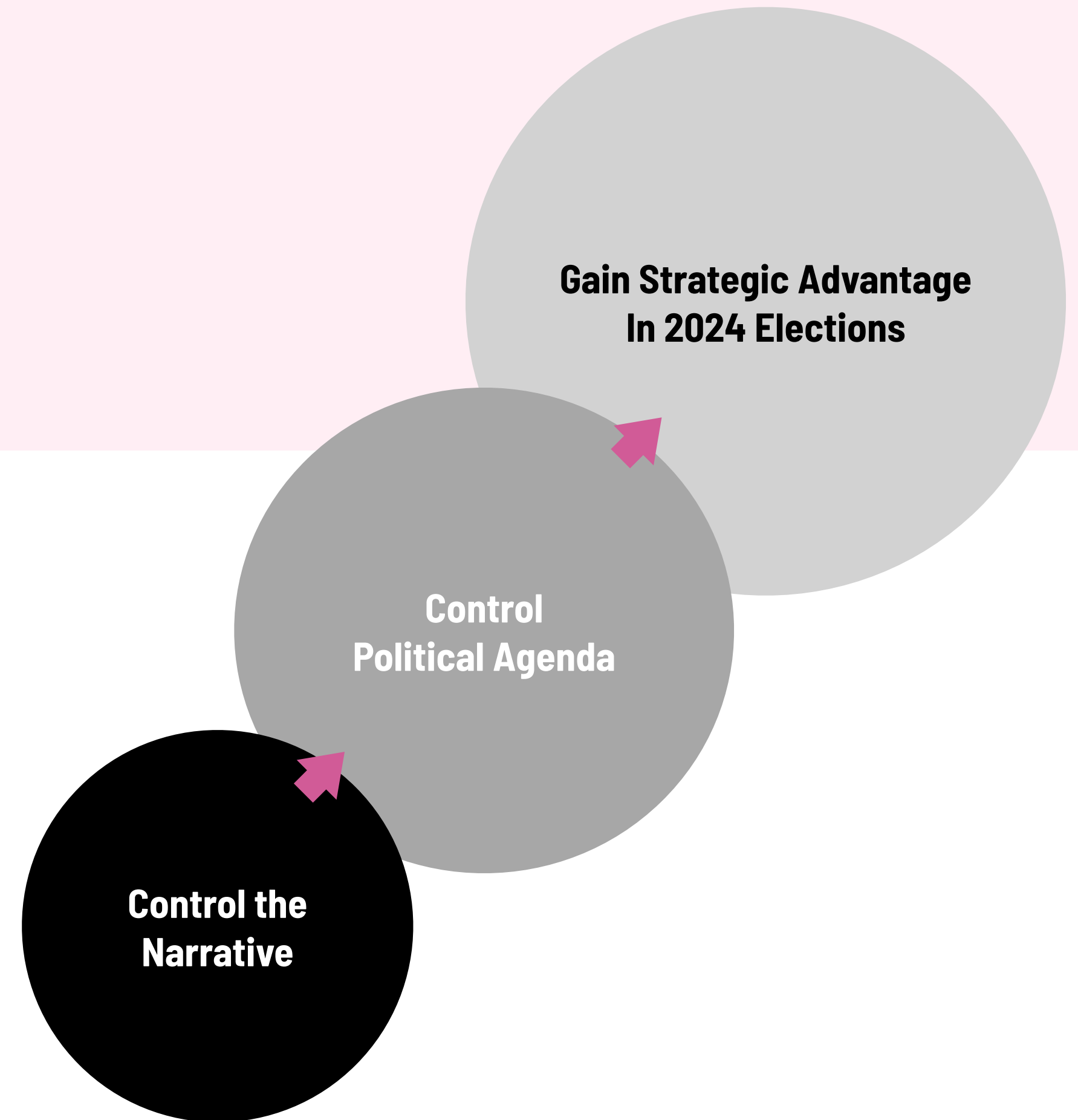


Pt 1: The Debt Ceiling

Gain Strategic Advantage in 2024 Election

To gain the political advantage:

- Harm political opponents, weaken the Biden Admin
- Demoralize the voting bases that lean toward Democrats.





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Part 2:

Debts, Deficits, & Defaults Demystified

What we need to know about **debt** and **deficits** to
cut through the fog and challenge the Right

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Pt 2: Debt Demystified

When the federal government raises less in taxes and other revenues than it spends, it must borrow the difference. The amount borrowed in a given year is the **deficit**.

The accumulation of annual deficits comprises the **national debt**.

The **debt ceiling** is an artificial limit to how much the Treasury can borrow to pay existing obligations to which Congress has already committed.



The debt has increased by 400% because...

Wars (Iraq and Afghanistan, now Ukraine) and increases in **military spending**

Crises: **economic crisis** (the 2008 crash), the pandemic starting in 2020.

Massive **tax cuts**. GW Bush in 2003 and Trump in 2017. Revenues are not keeping up with spending needs.



Another way to look at debt

Pt 2: Debt Demystified



It's how we invest in the things we need: Infrastructure, social insurance, climate security, and more. Along with redistributive taxes, it is a way to reduce inequality and strengthen democracy.

Borrowing takes the form of **government bonds:**

- A government bond represents a debt issued by a government and sold to investors to support government spending.
- Government bonds are considered low-risk investments since the government backs them. [unless there's a default]
- The various types of bonds the U.S. Treasury offers are considered among the safest in the world

How the Right Uses “Debt”

To **confuse** the public about what debt is

To manufacture a debt crisis to **stop progressive spending** and tax increases

To **weaponize** the debt ceiling



- Default would disrupt the **bond market**, disrupting all financial markets.
- Likely results in a **recession**.
- It will become much more challenging for the US government to **finance public goods**: infrastructure, healthcare, etc.
- It ensures that more cuts will come;
- Damaging the economy may benefit the Right **electorally**.

The real-world consequences of defaulting on debt payments

Aka: why we're freaking out about the debt ceiling.





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Part 3:

Contrasting Budget Priorities

Assessing the Compromises



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Overview of Biden's Proposal for FY2024

Pt 3: Priorities

In March, President Biden submitted a \$6.8 trillion proposal for FY 2024 with **increased funding** to:

Lower **prescription drug** prices

Expand the child tax credits and funding for **child care**;

Support **supplemental education** programs;

Boost funding for **antitrust agencies** so they could take on corporate mergers;

Mitigate **climate-related catastrophes**: wildfires, floods, and storms, with targeted support for low-income areas and communities of color;

Improve **pandemic preparedness** and health surveillance;

Support **climate research** and clean energy development;

Support **public transit**.

Overview of Biden's Proposal for FY2024

Pt 3: Priorities

These were the proposed **tax increases**:

A minimum tax on billionaires of 25%, impacting the wealthiest .01%

An increase to the tax rate corporations pay in taxes on their profits to 28%

A cut in tax breaks for oil and gas companies and for real estate investors

Quadrupling a tax on stock buybacks to 4% from 1%

Ending tax breaks used by cryptocurrency transactions

Reverses former President Donald Trump's 2017 tax cuts so that people making more than \$400,000 per year pay 39.6%



The MAGA Response

Pt 3: Priorities

HOUSE REPUBLICAN BILL CUTS BILLIONS FROM HEALTH COVERAGE, FOOD ASSISTANCE, GIVES BILLIONS TO TAX CHEATS

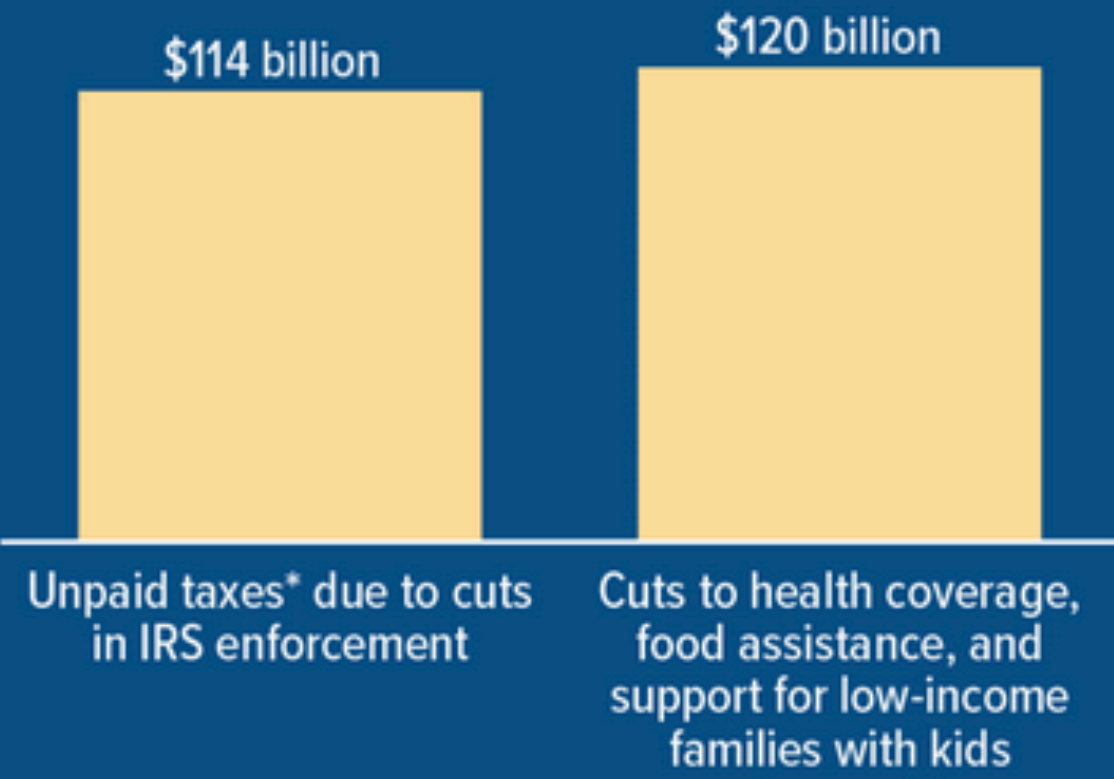
- ✓ Puts more than 10 million people at risk of losing their health coverage
- ✓ Puts roughly 1 million older people at risk of losing vital food assistance through SNAP
- ✓ Puts roughly 1 million children at risk of losing income assistance, likely pushing many deeper into poverty
- ✓ Forces cuts of \$3.6 trillion over the next decade to the part of the budget that funds defense, veterans' health care, child care, medical research, schools, college aid, transportation and more
- ✓ Gives billions to tax cheats by cutting funding that ensures wealthy taxpayers pay their taxes
- ✓ Extends the debt ceiling for less than a year, continuing to play games with our economy

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In addition to holding the debt ceiling hostage, they narrowly passed a "Limit, Save, and Grow Act"

The MAGA Tax Cuts Are For the 1%

**MCCARTHY BILL GIVES
BILLIONS TO TAX CHEATS,
TAKES BILLIONS FROM
LOW-INCOME FAMILIES**



**Unpaid taxes are net of IRS spending cuts.*



What's the Deal?

Pt 3: Priorities

What McCarthy can claim as gains:

In exchange for suspending the debt ceiling for two years, the deal would:

Impose new work requirements for food stamps for people between the ages of 49 and 54 and tighter work requirements for Temporary Assistance to Needy Families (TANF).

Claw-back \$30 billion in unspent COVID funding.

Repurpose \$20 billion in funding for the IRS over the next two years.

Fast-track permits for new energy projects, greenlighting the Mountain Valley Pipeline that Manchin wants.

End the moratorium on student loan repayments effective in August.

Cap non-defense discretionary spending for two years, which could force cuts in education, mental health and substance use treatment, childcare support, job training programs, housing programs, rural development, small business assistance, and more.

What's the Deal?

Pt 3: Priorities

The White House can claim the following as wins:

Winning **full funding for Veterans' healthcare**, including a new program for veterans exposed to toxic chemicals.

Preventing work requirements for Medicaid beneficiaries.

Avoiding another debt ceiling showdown until after the 2024 elections.

Defending funding for the Inflation Reduction Act (IRA).

Both sides wanted and won a **3% increase in defense spending**.

Summary Points

MAGA forces weaponized the debt ceiling to force the Biden Administration into budget negotiations on their terms.

They manufactured a crisis and pushed the nation to the brink of default.

To avert default, the Biden Administration made concessions.

The resulting deal harms the most vulnerable while protecting tax breaks for the rich, but still wasn't enough to satisfy MAGA.

Where do things stand now, and what are the paths forward for progressive forces? Emily and Eric will take a deeper dive into these and other questions.

Conversation with:

Emily Lee, *Co-Director at San Francisco Rising*

Eric Verhoogen, *Economist at Columbia University*

