

# Shutting Out the Progressive Agenda

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In yet another stand-off between the Republicans and the Democrats, the US government has been pushed into a partial shut down, with a range of services withdrawn and 800,000 employees furloughed. At the time of writing the shut down had entered its second week, with no immediate end to the stand off in sight. If this continues till October 17, the US government would default on its debt payments, triggering as yet unforeseen consequences. Any default on payments by the US government could lead to a significant sovereign debt downgrade, a fall in bond values and damage to the balance sheets of banks, institutions and high net worth individuals holding such debt. That would have economy-wide repercussions, which make the standoff-to-shutdown difficult to understand since none would gain if it continues, and it should not have occurred if it is to end soon.

There are two proximate reasons for the current US predicament. The first is a senseless law that has been in its books for close to a century. [Under a rule introduced in 1917](#), the US Congress has to set an absolute ceiling on federal government borrowing, which only Congress can revise. Since the government's borrowing requirements inevitably rise with changes in economic circumstances, the ceiling has to be periodically raised. The US government had hit that ceiling by September and needed it revised upwards if it was to continue meeting its expenses and servicing its debt.

Under normal circumstances this would have been routine, but for the second reason which led to the shutdown: the Republican majority in the House of Representatives, which subverts the majority that the Democrats command in the Senate. A large group of Republican representatives, belonging to the extreme-right Tea Party mobilisation, has chosen to use that significant House majority to prevent a vote on raising the debt limit unless the Democrats offer them a concession in return. Having failed to prevent its passing, they are now demanding that a 2010 healthcare law (the [Affordable Care Act](#)) aiming to give more widespread and better insurance cover for US citizens is substantially scaled down in terms of government support.

The objections of the Republican Right to the health care system—often termed Obamacare—is part of its larger case for lower taxes, lower public spending and lower deficits. In fact, in 2011 when the last increase in the debt ceiling was due, they converted the debt ceiling discussion into an attack on the government's "excessive" budget deficit financed with that debt, and demanded spending cuts that would reduce the deficit over time. [A last minute deal](#) prevented that standoff from triggering a shutdown. This time around the standoff has not just led to the shutdown, but the issue under dispute appears less substantial.

In fact, the health care law that the Republican Right opposes was only a small step forward in repairing the miserably inadequate health security system that prevails in the US till 2014. What it did is to insist that an insurance company that wins the bid to be part of the scheme must, for the premiums it charges, insure those who choose to join them irrespective of their health condition, and continue to do so even if they lose the job through which they were earlier insured. Earlier, for example, a sick person found it impossible to get insurance, and those out of jobs found the individual insurance available to them unaffordable.

The change does mean an increase in the number of people in the US below the age of 64 who would be insured and an improvement in the kind of insurance that would be available.

But in most states it also means an increase in premium, only a part of which will met by the state for a section of people. And even at these higher premia they may not get access to the hospitals that offer the best care for the illness they suffer, because those hospitals may not be enrolled in the network signed up by the concerned insurance agency because they are costlier. Moreover, only around 70 per cent of potentially required health services are covered by insurance plans that have a subsidy component.

Fundamentally, Obamacare does not do away with private insurance purchased by the insured. All it does is pave the way for higher premia for private insurance that is made affordable for more citizens by providing billions of dollars in subsidies to the private insurance companies. It neither guarantees that the net premia actually paid by citizens would make it truly affordable to all those eligible, nor that the care that the insurance buys is good or better.

Not surprisingly, the progressive demand has been for much more than Obamacare in the form of a single payer system, or universal medical care paid for by the state and in large measure provided by the state to keep health care costs down. This is seen as achievable for a number of reasons. To start with, single-payer would halve administration costs of the healthcare system, which is estimated at about 30 per cent of every dollar spent on care. That would save a few hundred billion dollars. And private providers from doctors to hospitals inflate their charges under the current system, which in turn leads to higher premia. A well-managed single payer system would, it is argued, mean lower cost and higher quality health care for far more people.

There are two reasons why the Right dislikes this. First it privileges public provision and undermines private insurance. Not surprisingly huge sums are spent to lobby against the adoption of this system. Second, it could imply higher aggregate spending because it results in larger unrecovered expenditure that either contributes to the deficit or must be financed with taxation. Neither of those options is acceptable to private capital, especially the finance capital that accounts for a large and rising share of corporate profits and election financing. The pressure not to move to a publicly run, single payer system comes from this section that is influential not just among the Republicans but also among the Democrats.

Thus, Obamacare, which implicitly declared single payer, publicly guaranteed universal care an impossibility and a patchwork system ridden with flaws and uncertainties as the maximum achievable, reflected the submission of the Obama administration to this section. While the Affordable Care Act is a step forward relative to what prevails, that is a small step that merely helps record the Obama Administration's concern about poor health care. In all probability it would soon emerge that the revised system when implemented does not deliver what the American public expect, that a significant section will still find the system unaffordable, and people will still be bankrupted when accessing unavoidable care. But even that faulty system was opposed before it finally went through. The current opposition to the system, just prior to its launch, implies that finance capital and the Right that fronts its case have not given up even after having won the main battle.

Many consider the Tea Party legislator group's willingness to shut down the government over this matter as suicidal, since it would result in a loss in popular support. The sight of a government under siege by its own parliament in the world's most powerful democracy, whose government never tires of preaching good governance to others, is ridiculous enough. But fears of turmoil and job loss, in an economy struggling to recover from a crisis that has lasted for five years, because of a standoff over spending a few billion dollars must indeed exasperate much of the public, barring the deeply ideological. [That the Republicans are conscious of this danger](#) is evident from their willingness to pass piecemeal legislation

that relaxes spending in an increasing number of areas. About half of government workers, especially those related to defence, were back at work within a week of the initial shutdown. Yet a standoff as ridiculous as the one currently underway was seen as essential.

One reason is that these battles that present extreme views in extreme fashion help ensure that the climate of opinion is largely in favour of the policy regime favoured by finance. Every battle sends out the message that government intervention in support of the poor is unaffordable, that the private sector would do better what the public sector has been or is being assigned to do, and that some measures are bound to lead to unsustainable deficits and debt that would hurt those that are being supported.

A practical consequence of such strident messaging is that progressive demands have weakened in response. Single-payer is replaced by Obamacare, since what is good is unachievable and some progress is better than none. Pension reform is seen as inevitable, only its substance is to be changed. Tax increases that affect the rich are presented as the growth-damaging, soft option adopted by profligate governments. And public spending to protect or expand employment is a no-no.

Creating such a climate of opinion is a big victory for Finance and the Right that represents it, especially after decades over which income gains have been concentrated with and the distribution of income has been shifted massively in favour of the rich. In the process it may happen that the chances of a Republican victory in the next Presidential election or a Republican majority in the next round of Congressional elections may be sacrificed. But that does not matter if, meanwhile, Democrats begin to talk and act more like moderate Republicans. Popular support is delivered not to a progressive, let alone radical, Democratic caucus, but one that does little to fundamentally threaten Finance. That suits the conservatives, since it delivers the required result. It possibly explains, for example, why so much of the opportunity to change the nature of capitalism that the crisis of 2008 offered was rhetorically used but never practically exploited by the first and this Obama administration.

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