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## Debt limit at heart of GOP's impending civil war

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**Who's more influential in the Republican Party - the so-called Tea Party or Wall Street and big business? The answer will be critical in the weeks ahead as the House decides whether to raise the limit on the nation's debt.**

**Treasury Secretary Tim Geithner warns that if the limit isn't increased by Aug. 2, the federal government goes broke. It doesn't just close down. It stops making lots of payments.**

**To continue paying interest on the federal debt and avoiding a default, the government will have to cut spending by about 35 percent, about \$3.8 billion a day. Seniors expecting Social Security and Medicare checks will be in for a rude surprise, as will military personnel and other government workers expecting to be fully paid.**

**Meanwhile, America's creditors are likely to become spooked about the risk of not being repaid in the future. As a result, credit markets could go into free fall. Interest rates would skyrocket. The dollar would plummet.**

**This would be a nightmare for Wall Street and big business, which depend on smooth-functioning credit markets. They need to borrow all over the world. They and their customers depend on a relatively stable dollar.**

**So you'd expect the Street and big business to pressure House Republicans to raise the debt limit - and that would do the trick.**

**Not so fast. Tea Party Republicans - including all of those elected to the House last year plus incumbents fearing primary fights with Tea Partiers - say they won't raise the debt limit unless Democrats agree to their demands. Tea Partiers want huge spending cuts. They propose turning Medicare into vouchers and turning Medicaid over to the states. And they refuse to consider any tax**

increases, including tax increases on the super-rich. To the contrary, they intend to cut taxes on the wealthy.

Wall Street and big business know these conditions are unacceptable to the White House and congressional Democrats - and much of the rest of the country. So the Street and big business are quietly trying to push the Tea Partiers in the House to moderate their hard-line demands.

But Tea Partiers couldn't care less about the debt limit. To them, the debt limit is a giant bargaining chip to get their demands met. They're not worried about global credit markets. If the full faith and credit of the U.S. government is jeopardized, so much the better.

Tea Partiers hate government more than they hate the national debt. Their real aim is to shrink the government. That's why they refuse to reduce that debt with tax increases, even with tax increases on the wealthy. A tax increase doesn't reduce the size of government.

But the Street and big business dislike the national debt more than they dislike government. They wouldn't even mind a small tax increase on wealthy people like themselves in order to cinch a deal on raising the national debt. They have so much money, they'd scarcely notice.

In truth, government has been good to Wall Street and big business. It bailed out the Street. It saved GM, Chrysler and AIG. And most government spending improves the profits of big businesses - military contractors, big agriculture, giant health care insurers, Big Pharma, large construction companies.

Tea Partiers have almost as much contempt for big business and the Street as they do for government. After all, the Tea Party was born in anger over the Wall Street bailout.

This is the heart of the impending civil war in the GOP.

So far, the Tea Partiers appear to be winning. In a recent speech to the Economic Club of New York, House Speaker John Boehner told the movers of Wall Street and big business that House Republicans would demand "cuts of trillions, not just millions" as a condition for raising the debt limit.

Boehner knows the only way to get cuts of this magnitude without increasing taxes on the rich (or

cutting defense - something else the GOP wouldn't think of) is to make mincemeat out of Medicare and Medicaid and kill off most of everything else most Americans depend on.

Why is the Tea Party winning? Wall Street and big business hold the purse strings in the GOP, but the Tea Partiers are now the ground troops. House Republicans need those ground troops to get out the vote in 2012. And they figure Wall Street and big business will stake them regardless of what happens.

But Boehner and his colleagues are playing with fire. If the debt ceiling isn't raised and the financial system begins to collapse, the GOP loses not only Wall Street and big business. It loses everyone who's still sane.

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