

Opinion **US Government**

Game, set and almost match to Biden on the debt ceiling

Republican drama barely dents US president's agenda

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Speaker Kevin McCarthy walks to the House Chambers at the Capitol on Tuesday. The question is why he made such extravagant demands if he knew he would have to give way on most of them © Kevin Dietsch/Getty Images

Edward Luce MAY 31 2023

Shakespeare foretold the tale of America’s latest debt-ceiling crisis — full of sound and fury, signifying nothing. The final deal, which will probably be passed this weekend, could also have been scripted by Joe Biden. Rarely in the history of fiscal brinkmanship has so much noise been made by so many Republicans with so little to show for it. The result is a win for Biden that prudence stops him from celebrating.

This charade’s key lesson is that people who call themselves “fiscal conservatives” are guilty of fraudulent branding — aided by a process-obsessed media. The definition of fiscal conservatism is matching public spending with revenues over the business cycle. Threatening a catastrophic default unless the tax-collecting Internal Revenue Service is defunded is its very opposite. That would be fiscal incontinence.

The fact that this was one of the key Republican demands gave the game away. In the event, Biden restricted the IRS funding cut to \$1.8bn, which is a fraction of its modernisation budget. In the name of fiscal responsibility, Republicans held America’s faith and credit hostage to a demand that would have harmed the country’s ability to collect taxes. The chief beneficiaries would have been the super-rich. The IRS mostly lacks the money to investigate the heavily lawyered wealthy, so most of its audits now are of people on lower incomes.

Last year's misnamed Inflation Reduction Act — which heavily funded America's clean energy transition, an arrangement preserved by Biden's debt-ceiling deal — included \$80bn to upgrade the IRS after years of being hollowed out. Demagogues said this would result in the arming of 87,000 federal agents who would raid ordinary people's homes to seize their earnings.

The IRS can be a bureaucratic nightmare but it is no militia. Its increased budget will make it easier for people to file their returns digitally and go after large-scale evaders. Because of cuts, the IRS was 80 per cent less likely to [audit the top 1 per cent](#) in 2018 than it was in 2011, the year of the first serious US debt-ceiling crisis of this century. For every dollar put into the IRS, it will raise up to \$10 in closing the gap between what is owed and what is paid.

Most of that has been preserved. But the drama captured what has happened to the Republican party: it uses populist scaremongering to protect its plutocratic donors. I would love to give a more nuanced take of the party's motives but that would be sophistry. The question is why Kevin McCarthy, the Republican Speaker of the House, made such extravagant demands if he knew he would have to give way on most of them.

The generous answer is that it was a negotiating tactic. Without threatening the debt ceiling, McCarthy would not have wrung any concessions from Biden. The final deal will reduce US spending by \$136bn over the next two years, which McCarthy can claim will start a trend to reverse Washington's profligate ways. That may be enough to win the grudging votes of a majority of Republican lawmakers. The remaining votes will be supplied by slightly less grudging centrist Democrats.

A better answer is that McCarthy, along with many others, serially underestimates Biden. In spite of being owned by the nonagenarian Rupert Murdoch, Fox News and its imitators are obsessed with the octogenarian Biden's alleged senility. "Republicans got outsmarted by a president who can't find his pants," [tweeted](#) Nancy Mace, a Republican lawmaker who said she will vote against the deal.

In practice, Biden played the game of chicken well. He took it seriously by flying home early from his Asian trip in mid-May. In the interests of stopping a default, he resisted the temptation to call his opponents pyromaniacs. Biden's age and limited energy may even have helped. It is useful to have a calm temperament in the midst of a crisis.

The result is that McCarthy got little of what he wanted. The debt ceiling will be extended until after the next election, not before. The spending limits will last for two years, not 10. The IRA was preserved, as was Biden's student loan forgiveness. The

years, not 10. The IRA was preserved, as was Biden's student loan forgiveness. The IRS will continue to upgrade. The spending cuts may even be helpful in a time of rising interest rates. Barring two minor concessions — securing a natural gas pipeline and stricter conditions on people who receive food stamps — McCarthy came up empty-handed.

The real cost to America is the normalisation of such drama. The clock is already ticking until the next game of chicken. The real fear is that one day such brinkmanship will not only emit sound and fury but signify catastrophe.

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