

The Debt Ceiling and America's Role in the World

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Because the U.S. is still the most powerful state in the world, decisions and policies pursued by the U.S. can have impacts in almost every corner of the planet. Not surprisingly policy makers, journalists, diplomats and ordinary people in every country are often concerned about American policies which affect them. One of the most difficult aspects of American foreign policy to explain to people outside the U.S. is the tremendous role of domestic politics in foreign policy. Many people understand this to mean simply the power of ethnic lobbies and often overstate the role of these lobbies in determining U.S. foreign policy, but the relationship between domestic and foreign policy is much deeper and more complex than that.

A critical example of this relationship is occurring this week in Washington as President Obama and the Democrats seek to reach an agreement with the Republican controlled House of Representatives to increase the debt ceiling. Failure to do this could lead to an economic downturn reaching far beyond the U.S., the acceleration of U.S. decline and the inability of the U.S. to meet its foreign policy commitments. Thus, the debt ceiling discussion is the most important foreign policy debate in Washington right now; and its resolution will have tremendous bearing on the American role in the world.

One of the central tensions in American politics, and one that is particularly evident in the Republican Party, is that of the country seeking to be a modern advanced state with the significant responsibilities and expenditures while also refusing to levy taxes on its citizens in a way that is consistent with that aspiration. The most common way this tension has been resolved has been by running a budget deficit and accumulating debt. Both President Barack Obama and his immediate predecessor President George W. Bush used this approach. Significantly, even presidents like George W. Bush and Ronald Reagan who employed the rhetoric of small government never meant it as both expanded the size and cost of the federal government, thus demonstrating their belief that the U.S. should be a functioning modern state.

The current debate, and stalled negotiations, around the debt ceiling goes to the core of this tension. President Obama has proposed a compromise that calls for trillions of dollars in cuts, including cuts to popular domestic programs and minor revenue increases. Obama's proposal would cause economic pain to many Americans, but it appears to be necessary to raise the debt ceiling and avoid the possibility of the U.S. defaulting on its debt. The Republicans in the House, of course, have refused this agreement because it includes some increase in tax revenues.

For the Republican Party the tension has been resolved and low taxes have become the single guiding force in their policy making. It is wrong to ascribe this to dedication to conservative economic tenets on the part of the Republican Party because this goes way

beyond that. The Republican position can more accurately be described as a fetishization of low taxes that destroys their ability to see the bigger picture or accept a deal that is, in most respects, a Republican victory. Accordingly, for the first time, there is a possibility that the U.S. will not be able to pay its creditors simply because one party refuses to even consider taxing the American people at a rate approaching that of most other industrialized countries.

Even if the current situation is resolved and the debt ceiling is increased, the impact of this debate is clear. There is now a political force in the U.S. who believes that the U.S. does not need to, and indeed should not, be a modern state, because low taxes are more important. Interestingly, in recent weeks, foreign policy issues, including the costs of wars in Afghanistan, Iraq and even Libya, and the presence of the U.S. around the world, did not play a big part in the budget negotiations, but the next time they might.

Ironically, many of the most hawkish Republicans who call for strong and expensive American military and support the use of that military in many different places who are now seemingly indicating that the U.S. should not do what is necessary to continue to be a functioning modern state. It is notable that so few of these Republicans who claim to be so concerned about the debt have proposed cutting the military or scaling back U.S. involvement overseas, suggesting that these Republicans do not even understand the implications of their radical anti-tax rhetoric. For decades, Americans tried to have it both ways, by being a modern state and keeping taxes low. That fantasy was never really going to work, but it could be kept hidden by both parties under mountains of debt. The Republicans in the House have, in an extreme and untimely way, decided that is no longer okay, but have abandoned any principle in this matter by continuing to prioritize an absolutist approach to raising revenue over anything else.