Bipartisan Political Brinkmanship Leaves U.S. Debt Crisis on Ventilator for Two Years
Experts say it’s “Advantage our Enemies”

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The ICS is an interdisciplinary research institution, which has a leadership role in the promotion of Chinese and East Asian Studies in India. The ICS Analysis aims to encourage debate and provide informed and balanced inputs for policy formulation and is based on extensive research and interactions with a wide community of scholars, experts, diplomats and military personnel in India and abroad.
The enemies of America would love to see the US economic chaos caused by self-inflicted debt-ceiling brinkmanship, the US strategic affairs experts have forewarned. But experts in China say the US debt crisis is a threat to the world.

Reports are filtering¹ in that US Congress has suspended the debt ceiling bill to 1 January 2025. The ink has not even dried on the bipartisan “tentative” deal to raise debt-ceiling, but given the long impasse preceding the agreement to suspend the bill, it is being viewed not only as a fragile move but also self-inflicted political brinkmanship that leaves the US greenback weakened and US national security threatened. The US corporate interests and the political elite on Capitol Hill have however breathed a sigh of relief that a potential politically catastrophic default on US debt repayments has been averted.

However, notwithstanding Congress’ intent to prevent “chaos in the US economic system,” sceptics and critics have not stopped warning the lawmakers about the consequences of the impending economic crisis for national security. Foreign policy experts too have been alarmed that Russia’s Putin and the China’s Xi have been measuring their strategic, economic, and political advantages as a result of the US debt default brinkmanship arising out of escalating bipartisan political hostilities in Washington. As the Director of National Intelligence (DNI) Avril Haines testified² during a Senate Armed Services Committee hearing on “Worldwide Threats,” on 10 May 2023, “China and Russia will take full advantage of the US potentially defaulting on its debt.”

Of course, there is the cynical view that US debt ceiling raising “X-date” – June 1, then extended to June 5, is a “manufactured crisis” and the ensuing drama on Capitol Hill is nothing but a bipartisan staged assault on Social Security and Medicare, etc. Still, it is indeed a matter of serious concern that the two-party political gridlock did take its toll on the US foreign policy front, and, as some security affairs experts have warned, on national security. Undeniably³, the US foreign policy “casualties” due to the ongoing debt limit stalemate include a Quad summit in Australia and Biden’s scheduled trip to Papua New Guinea – which would have been the first-ever visit for a US president, and seen as crucial to counter China’s growing influence in the Pacific Islands region.

What is the debt ceiling? Why will a failure to raise the debt limit lead to chaos in the US economic system and turmoil in the world economy? Why are some US lawmakers equating
the altering of the debt limit with forced spending cuts? Why are efforts to raise or even abolish debt ceiling turning into a heated topic in Congress, cutting across the party lines? Above all, why are former diplomats and top government officials worried that the federal government defaulting on its bills – a historic first, will result in the weakening of the US national security on the one hand, and will make both friends and enemies start believing the US can’t be trusted on the other.

The debt ceiling or debt limit actually refers to the maximum amount of outstanding debt the US federal government can occur. This mechanism was first introduced by Congress in 1917, during WWI. The Congressional practice of raising the debt limit started in 1960 under President Dwight D Eisenhower, and since then Congress has raised the ceiling 78 times – 49 times under a Republican presidency and the Democratic presidents carried it out 29 times. Since the turn of this century, the federal government has been running an average deficit of $1trillion every year. In January this year, both the national debt and debt ceiling stood at $31.4 trillion, respectively.

A recent analysis of the history and causes of debt limit brinkmanship, has claimed that owing to increasing political polarization in recent years, there have been two incidents of political gridlock over debt ceiling, resulting into a forced government shutdown (in 2013) and the contentious political situation reaching down to the wire (in 2021). On the economic front, potential repercussions of a situation short of default and/or reaching the ceiling include government’s inability to pay bills, hamstringing government’s ability to finance its operations, including providing for national defence, downgrading by credit rating agencies, economic recession and a drop in consumer confidence. Even as Congress is gearing up for the vote on the deal, there are reports that the Democrats have compromised on the issue of reducing student debts. Additionally, the office of the federal auditor – Government Accountability office (GAO) – has estimated that “delay in reaching a deal (on raising debt limit)” this year increased US borrowing costs by $1.3 billion.

Speaking of the irreparable damage the federal government defaulting will cause, or has already caused, both to the national security and foreign policy interests, two former Secretaries of Defence alerted the dangers ahead of the debt limit brinkmanship, saying consequences of defaulting are “dangerous self-inflicted wounds and will weaken our national security.” A default will encourage both Putin and Xi to undermine the US power,
the two emphatically pointed out in a joint letter. Echoing and endorsing such views, Shalanda Young, another high-profile US figure – Director, Office of Management and Debt said, “[Our foreign adversaries] love this. They love to see chaos in the US system. They love to see that we can’t do our basic jobs.”

On the other hand, Chinese IR analysts and financial experts have reacted to the US debt limit stalemate both cautiously as well as nervously. Addressing fears of those Chinese who are nervous of the repercussions of the US debt ceiling failure on the Chinese economy, some Chinese scholars have been cautioning that China must prepare in advance for the proverbial rainy day. However, Wang Yingliang, an IR professor who specializes in American Studies at Shanghai’s prestigious Fudan University, recently dismissed as “ridiculous”, claims in a section of the US media that “China is the biggest winner” of the debt stalemate, or that the acrimonious US debt debate is a “gift to China’s grant strategy.”

At the same time, a section of China’s “leftist” intelligentsia has scornfully ridiculed both the US mainstream media and some top Biden administration officials for “intimidating” China by proclaiming that a potential debt default may be disastrous for Beijing. Last week, a widely circulated leftist digital journal rejected as “nonsense” an article posted on the CNN website which was headlined “Why the US default is a disaster for China?” The journal cited John Bowden Connolly Jr., Treasury Secretary in the Nixon era, to underscore the point that the debt brinkmanship is indeed causing fears in the global economy. “The dollar is our currency, but it is your trouble,” Connally had once shrewdly remarked. However, it also clarified China has no such fears, as the over $870 billion Beijing has invested in US Treasury are long-term Bonds and considered safe investment even if the dollar appreciates sharply.

Notwithstanding the US two-party political brinkmanship on the one hand, and disregarding repeated warnings by Treasury Secretary Janet Yellen of an impending global economic tsunami on the other, most Chinese analysts no doubt believe the default will be averted – although the US politicians will stretch the “terrifying drama” until the very last minute. Furthermore, most Chinese financial experts and Sino-US relations analysts also reckon that the debt problem is not just an economic issue but also involves deep-rooted institutional and political problems in the United States. “It is a huge setback for the American democratic system,” the Chinese leftist journal wrote.
To conclude, at least for once China (and Russia) are being seen as playing “a positive role” in helping the US manage its internal chaos – all thanks to the urgency for Congress to avoid self-inflicting debt-ceiling chaos. The US strategic affairs community has warned that failure to do so will weaken America’s national security. Besides, the enemies of America would love to see “chaos in the American system.” The foreign policy critics have further warned saying, both Putin and Xi are calculating the consequences of a possible catastrophe coming out of the US debt-ceiling brinkmanship. This will, they add, not only incentivize Putin to continue his war on democracy and in Ukraine but also encourage Xi Jinping to use force to achieve national reunification.
References


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