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US debt ceiling crisis: What is the deal Biden and McCarthy have struck

The debt ceiling deal is a climbdown for both Republicans and Democrats. Now, Biden and McCarthy have to convince the hardline factions in their parties for the deal to move ahead and resolve the default crisis.

By: [Explained Desk](#)

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President Joe Biden meets with Speaker of the House Kevin McCarthy (R-Calif.) in the Oval Office.
(Photo: Wikimedia Commons)

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Days before the US government's debt default deadline, **President Joe Biden and Republican House Speaker Kevin McCarthy agreed on a deal that can potentially avert the crisis.**

The Democrats-led US government had in January hit its debt ceiling — the amount it is legally allowed to borrow for its expenses. With no new money coming in, **Treasury Department Secretary Janet Yellen** had warned that funds would run out by the first week of June, and the government would then fail to discharge its financial obligations, such as paying salaries and welfare cheques.

Coming after weeks of tense talks, the deal is being seen as a breakthrough, although nothing is final yet. Both Biden and McCarthy have to convince the more hardline factions in their own parties before the deal can be approved by the House.

Here are the key points of the deal.

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A cap and a raise

Under the deal, the \$31.4 trillion debt ceiling will be suspended until January 2025 — until after Biden's current term. Till then, the government can keep borrowing to fund itself. In return, the White House has agreed to cap non-defence discretionary spending at 2023 levels in 2024, and increase it by 1% the year after.

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This is a climbdown, as Republicans had earlier demanded that the spending be capped at 2022 levels.

Work requirements made stricter

In a climbdown from the Democrat side, Biden has agreed to increase work requirements for those who avail of government food stamps.

The Supplemental Nutrition Assistance Program (SNAP) currently allows able-bodied people above 50 with no dependents to get the food stamps for three months “during any 36-month period when they cannot show they are employed or in a work or training program for at least 20 hours a week,” according to *NPR*. Under

the new deal, this age limit will be raised to 54. Veterans and the homeless are exempt from this. These changes are in effect till 2023, unless renewed.

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Social Security and Medicare are exempt from spending cuts, as is Biden's student debt waiver scheme, although that faces a Supreme Court test.

IRS, Covid fund

Under the deal, the outlay the Biden government had secured for beefing up the Internal Revenue System (IRS) sees a cut. The White House had argued that more staffers at the IRS would ensure the super-rich pay their taxes, boosting revenue. However, the Republicans had said this would lead to middle class Americans facing more tax hassle.

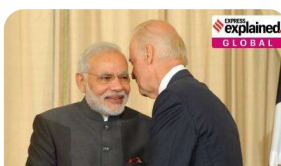
Leftover Covid relief fund will be taken back, including that kept aside for tackling disasters.

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The government has agreed to the Republican demand of a more streamlined system of approval for energy projects. According to *The New York Times*, “A single lead agency would be charged with developing a single review document and a public timeline. The agreement would enact these changes without curtailing the overall scope of the current review process, cutting down the statute of limitations, imposing barriers to standing or taking away injunctive relief or other judicial remedies.”

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