COMMITTEE ON WAYS AND MEANS
CHAIRMAN DAVE CAMP

H.R. 1954 – Raising the Debt Limit
Talking Points and Background
May 31, 2011

Talking Points

- The President's request for a debt limit hike without spending cuts is bad for our economy and bad for job creation in America.

- We have brought an unconditional increase in the debt limit to the Floor to show the White House and Washington Democrats that the American people want Washington to stop spending money we don't have and sending the bill to our children and grandchildren.

- If the President and Washington Democrats want us to pay their bills, any increase in the debt limit must be accompanied by substantial spending cuts and reforms to ensure that we keep cutting.

- Democrats argue that voting this bill down will send a dangerous signal to the financial markets. However, it is their unwillingness to cut spending and get our debt and deficits under control that has caused the financial markets stress.

    - Recently, the credit-rating agency Standard and Poor's (S&P) changed the United States' outlook from stable to negative. According to S&P, this was a result of "very large budget deficits and rising government indebtedness" and the lack of a "path to addressing these" problems.

- The Obama Administration and more than half of House Democrats have called on Congress to quickly consider an unconditional increase in the debt limit bill that will raise the limit without any spending cuts or reforms.

    - Despite the fact that only 11% of Americans agree with them, it's clear that Washington Democrats are dead-set on increasing the debt limit without spending cuts and reforms.
    - During May 17 remarks in New York, Treasury Secretary Timothy Geithner reinforced that the Obama Administration wanted a "clean" debt limit increase.
    - More than 100 House Democrats have signed onto a letter publicly advocating for a debt limit increase without spending cuts and reforms.

- This vote will demonstrate to President Obama, Secretary Geithner and House Democrats that they should abandon this unreasonable position because it is so far out of step with the rest of America.

- We are in a debt crisis because Washington spends too much, not because it taxes too little.

Background

The Debt Limit

- Treasury "issues debt" (borrows money) when the Nation's financial obligations exceed the amount of taxes collected.
- Treasury issues debt by selling bonds with various features, such as length to maturity.
- The "debt limit" is the amount that the United States is legally permitted to borrow.
- Congress sets and must authorize a change in the debt limit through legislative action.

Past Increases in the Debt Limit

- Since 1985, Congress has only passed clean debt limit increases 10 out of 27 times – meaning almost 2 of every 3 debt limit increases were accompanied by a budget measure. In 2006, then-U.S. Senator Obama voted against a clean increase of $781 billion.

Examples of Debt Limit Bills that Included Other Measures	Amount of Increase (billions)
PAYGO Act of 2010	$1,900
TARP	$700
Stimulus	$789
Fannie Mae and Freddie Mac Bailout	$800
Balanced Budget Act of 1997	$450
OBRA of 1993 / Clinton first budget	$530
OBRA of 1990 / George HW Bush Budget Deal	$915
Gramm-Rudman of 1985	$175

Increases in the Debt Limit under President Obama

Date	Bill	Debt Limit (trillions)
2/17/09	Stimulus	$11.315 to $12.104
12/28/09	Stand alone increase	$12.104 to $12.394
2/12/2010	Statutory Pay-As-You-Go Act of 2010	$12.394 to $14.294

Future Increases in the Debt Limit

- Assuming current law remains in place, it is predicted that the debt limit will need to increase by $1 trillion by the end of 2011 and by an additional $1 trillion by the end of 2012. Even under the House-passed budget plan, the debt limit would need to be increased by nearly $2 trillion by the end of next year.

Treasury's Timeline and "Extraordinary Actions"

- According to Treasury, we reached the debt limit ($14.294 trillion) on May 16.
- Treasury can take what it describes as "extraordinary actions" to push the default date until August 2.

What Happens if the U.S. Raises the Debt Ceing without Spending Cuts?

- Many of the same consequences would ensue as if the debt ceiling is not raised, though perhaps not quite as soon:
  - Ratings agencies would reduce the U.S. credit rating, causing federal borrowing costs to be higher. As referenced above, and according to the Congressional Budget Office, a 1% increase in the 10 year treasury note would increase net interest payments on the debt by over $1 trillion over 10 years.
  - The dollar would plunge and the cost of imports – especially gas and oil – would increase.
  - The volatility and uncertainty would cause businesses to delay hiring and investing.

Leadership on the Debt Limit

"Without significant spending cuts and reforms to reduce our debt, there will be no debt limit increase. And the cuts should be greater than the accompanying increase in debt authority the president is given. We should be talking about cuts of trillions, not just billions. They should be actual cuts and program reforms, not broad deficit or debt targets that punt the tough questions to the future."

-Speaker John Boehner, May 9, 2011