

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

October 14, 2004

Treasury Announces Debt Ceiling Has Been Hit Again

Dear Democratic Colleague:

Today the Treasury Department announced that the statutory debt ceiling has been reached, and that the Secretary of the Treasury can avoid default only by undertaking extraordinary actions. This development marks the third time in three years that the government has run up so much debt that it has hit the legal debt ceiling. Meanwhile, House and Senate Republican leadership decided to adjourn without voting to raise the debt ceiling — despite an August 2 letter from the Secretary of Treasury notifying Congress that the debt limit was critically close and that immediate action was essential.

Attached is a statement I released earlier today in response to the Treasury Department's announcement, along with charts providing background on the issue.

Please do not hesitate to contact me or the House Budget Committee Democratic staff if you have any questions.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member

News from U.S. Rep. John Spratt (D-SC)
Assistant to the Democratic Leader
Ranking Member, Committee on the Budget
US House of Representatives – Washington, DC

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Thursday, October 14, 2004 – For Immediate Release
Contact: Chuck Fant, 202-225-5501

Spratt Statement on U.S. Hitting Debt Ceiling

WASHINGTON — U.S. Rep. John Spratt (D-SC) today issued the following statement in response to the Treasury Department's announcement that the statutory debt ceiling has been reached, and that the Secretary of the Treasury can avoid default only by undertaking extraordinary actions, which include suspending investment in, and ultimately disinvesting from, certain government accounts.

“Today’s announcement is the latest in bad fiscal news resulting from Republican mismanagement of the budget. For the third time in three years, the government has run up so much debt that it has hit the legal debt ceiling. The Treasury Department can prevent default only by taking extraordinary actions, which amount to bookkeeping gimmicks.

“The statutory debt ceiling was last raised on May 26, 2003, by \$984 billion, an unprecedented increase. Today’s announcement means that in only seventeen months, the federal government has run up more than \$984 billion in debt. This debt increase exceeds the entire debt of the United States in 1981 when President Reagan took office, the debt the government had incurred over 200 years.

“President Bush took office in 2001 with an advantage few presidents have enjoyed: a budget in surplus. In its projection of the next ten years, 2002-2011, the Congressional Budget Office showed how most of the Treasury debt held by the public could be paid off and retired, continuing the debt retirements of \$363 billion made in the last years of the Clinton Administration.

“President Bush chose another course, and a budget with record surpluses turned into a budget with record deficits. In 2002, the Bush Administration came to Congress asking for a debt ceiling increase of \$450 billion. In 2003, they came back, asking for another debt ceiling increase of \$984 billion. Now the Bush Administration needs to increase the debt ceiling by \$690 billion. Thus, to make room for Republican budgets, Congress has had to raise the debt ceiling by \$2.124 trillion over a period of four years.

“This is the burden we are passing on to the next generation, and there is no plan or prospect for confronting it. This year’s deficit, at \$415 billion, will set another record; and

based on data CBO has provided, the Administration's policies over the next ten years will result in an increase of more than \$7 trillion in total debt and almost \$4 trillion in Treasury debt held by the public.

“On August 2, the Secretary of Treasury notified Congress that the debt limit was critically close, and that immediate action was essential. The House and Senate Republican leadership decided to adjourn without voting to raise the debt ceiling and therefore without acknowledging responsibility. Thus, for the third time in this Administration, what were once “extraordinary measures” have become routine, to the ultimate detriment of our financial standing around the world. By Secretary Snow's estimate, the use of extraordinary measures may allow a default to be forestalled until mid-to-late November, giving Congress just enough time to raise the debt limit when it returns the week of November 15. If, however, his estimate proves optimistic, then even the extraordinary measures may prove insufficient to extend the day of reckoning until Congress comes back.

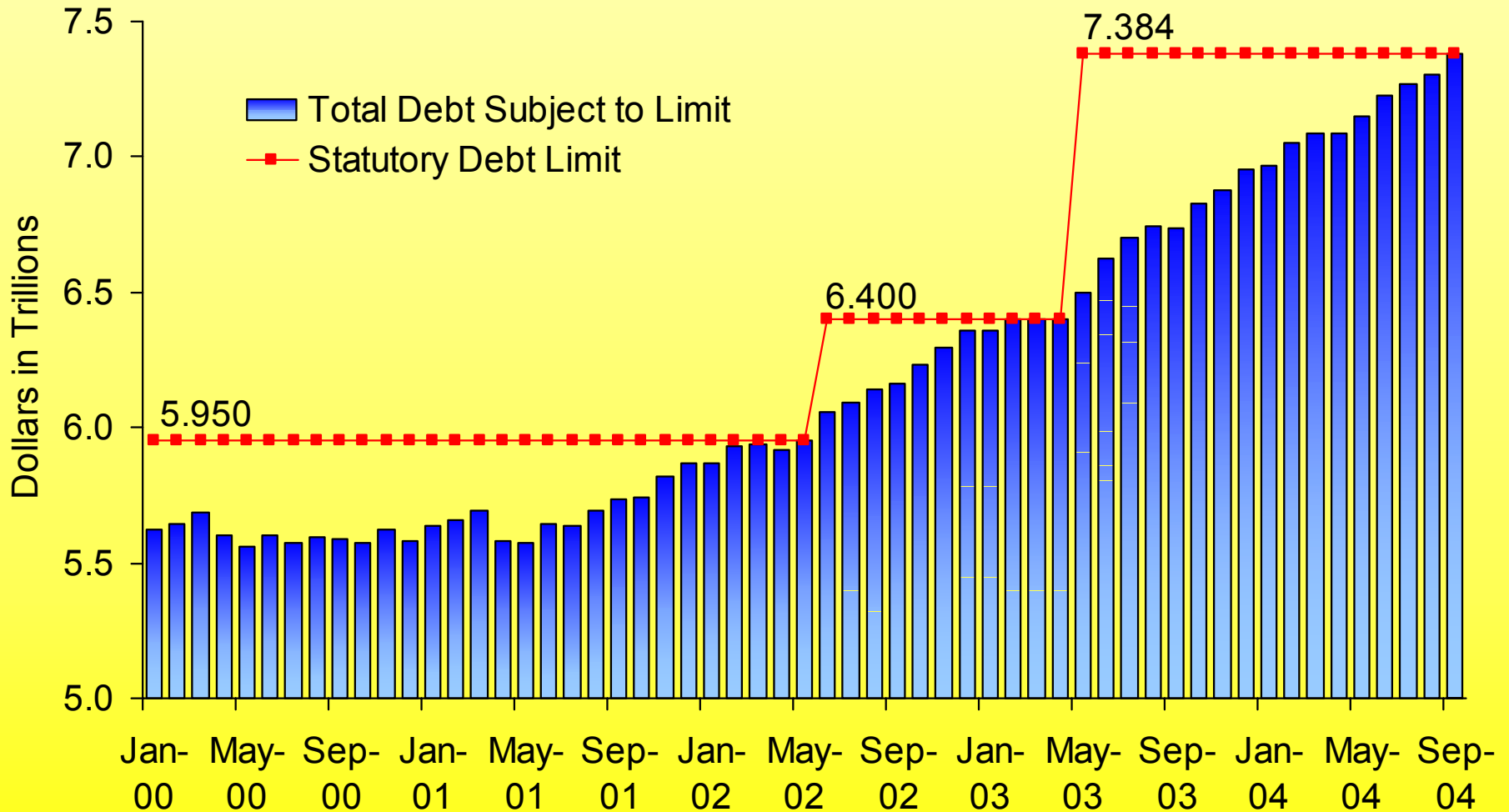
“Today's news contains the latest evidence contradicting the key claims this Administration has made about the budget. When this Administration took office, it claimed that the debt limit would not be reached until 2008, even if the Administration's tax cuts and other policies were implemented. Instead, largely as a result of the tax cuts proposed by the Administration and enacted into law by Congressional Republicans, the debt limit now will have to be raised for the third time in three years.

“This Administration's fiscal policies have driven our debt to grow faster than our economy's ability to repay it — that is, the ratio of debt to GDP is rising. This situation is not sustainable, and it undermines our ability to address long-term budgetary needs including the impending retirement of the baby boom generation. Although the Administration tries to diminish the gravity of the problem, there is no way to dismiss debt ceiling increases that are \$2.124 trillion and rising.

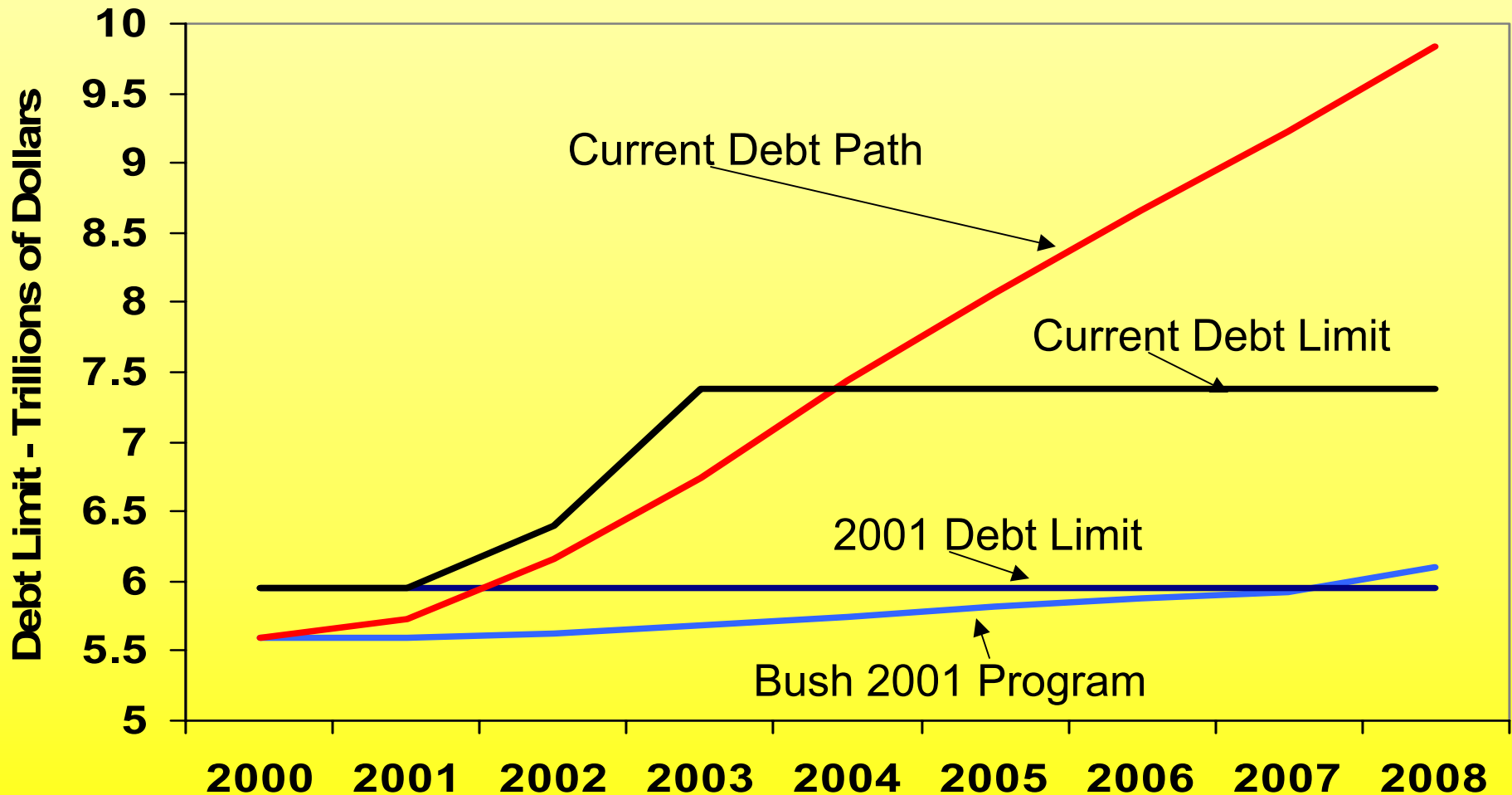
“The Administration's spokesmen call this level of debt ‘unfortunate’ and ‘unwelcome’ but ‘manageable.’ But it is hard to call a mountain of debt good management.”

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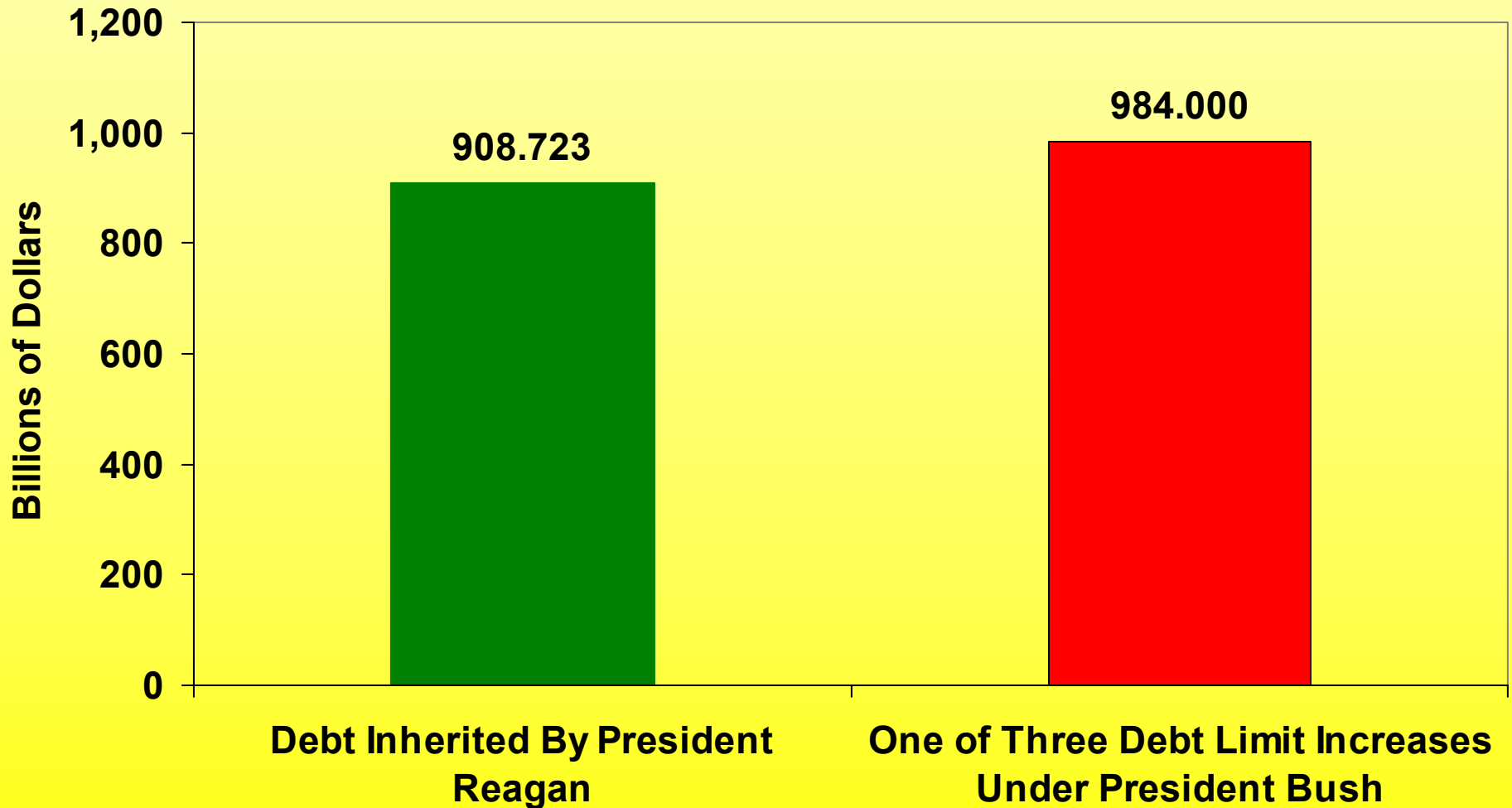
President Bush's Debt Record



President Said Debt Limit Was Good Until 2008



One Bush Debt Limit Increase Exceeds Debt Reagan Inherited



Republicans Increase the Debt Limit

Debt Limit Increases, Billions of Dollars

2002	450
2003	984
2004	690
2014*	6,471

*CBO projection of increase required under President's policies

Debt Limit Soars

Under Republican Policies

Trillions of Dollars

2001	5.950
2002	6.400
2003	7.384
2004	8.074
2014*	14.545

*CBO projection of amount required under President's policies