

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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

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August 5, 2004

### Alarm on the Debt Limit

Dear Democratic Colleague:

The Secretary of Treasury, John W. Snow, has warned Congress that the national debt will breach its statutory limit “between late September 2004 and early October 2004” unless the ceiling is raised. The Secretary is required by law to give such notice so that he can take cash from selected government trust funds when his authority to borrow is exhausted.

When President Bush took office, his Administration forecast that the debt ceiling would not be reached until 2008. Consider the following:

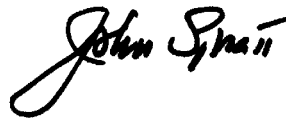
- (1) From 1998 through 2001, under the budgets of the Clinton Administration, the government reduced debt held by the public, paying off \$453 billion.
- (2) From 2002 through 2004, to accommodate the budgets of the Bush Administration, the debt ceiling will have to be raised three times: by \$450 billion in 2002, by \$984 billion in 2003, and by \$690 billion in 2004. Secretary Snow is seeking the third debt ceiling increase in four years, on the heels of the largest debt ceiling increase in history just last year. Thus, in four years, the Bush Administration will raise the debt ceiling by an unprecedented \$2.1 trillion.
- (3) The debt ceiling increase sought by the Bush Administration is the tip of an iceberg, one in a series of increases that will continue for as far as our economists forecast. According to the Congressional Budget Office, if President Bush’s 2005 budget is implemented, the government will incur \$5.660 trillion in additional debt between now and 2014, raising the national debt to \$13.1 trillion.

The Administration excuses the situation by saying that the statutory debt is driven by

investments in government trust funds, including Social Security. This argument is misleading. Since the beginning of this Administration, surpluses in the government trust funds have fallen almost \$250 billion below projection. The problem at hand is unadulterated government borrowing, and it's a real problem. In 2008, the first of the baby-boom generation, 77 million strong, will begin drawing Social Security benefits. By 2011, the baby boomers will become eligible for Medicare. At a crucial point, when we should be preparing for a demographic tidal wave by saving more, President Bush and his party in Congress have chosen to save less by running the biggest deficits in our nation's history.

When the debt ceiling is breached three times in four years, it should be an urgent alarm, a call to action on a deficit of \$445 billion, before still more precious time slips through our hands. Instead, the worst that OMB can say of the deficit in its Mid-Session Review is that it is "unwelcome." There is no shock, no shame, and no solution.

Sincerely,

A handwritten signature in black ink that reads "John Spratt". The signature is written in a cursive, flowing style with a large initial "J" and a long, sweeping underline.

John M. Spratt, Jr.  
Ranking Democratic Member

# Why Did We Have to Raise the Debt Limit Three Times?

