



# Committee On Finance

Max Baucus, Ranking Member

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## **BAUCUS AND COLLEAGUES CALL ON MAJORITY LEADER TO SCHEDULE REAL DEBATE ON DEBT LIMIT CRISIS**

*Congressional approval needed soon for another debt ceiling hike, with no discussion planned*

*Washington, DC* - U.S. Senator Max Baucus (D-Mont.), Ranking Member of the Senate Finance Committee, today called for a real debate on an expected vote to increase the Federal debt limit. At the Treasury Department's request, the Senate is expected to take up the measure this month, as the U.S. reaches the current debt ceiling. But as America spirals further into debt and foreign borrowing under current Administration policies, there is no Senate debate planned on the merits of agreeing to raise the debt ceiling. Baucus joined Democratic Leader Harry Reid (D-Nev.) and Budget Committee Ranking Member Kent Conrad (D-N.D.) to discuss the debt limit crisis. The following is an unofficial transcript of Senator Baucus's remarks:

**Mr. President, on December 29 of last year, I received a letter from the Secretary of the Treasury, John Snow, asking the Congress to increase the federal debt limit. This is extremely important, obviously, that is, whether we should and the degree to which we should increase the federal debt limit.**

**But we don't have any scheduled debate on this. And I don't frankly think that the Leadership wants to schedule a debate on whether we should and the degree to which we should increase the Federal debt. And I think the reason is pretty clear. It's because it's embarrassing. It's an embarrassment that our federal debt is growing so much and at such a rapid rate. And I say that in part because as the Secretary says, the United States will hit the limit in the middle of this month. That's not too many days away. I hope very much that this body exercises its responsibility to do what it should. And let's have a discussion on our fiscal situation.**

**How great is the debt? What should be done about it? How big is the deficit? What should be done about that? Where are we? Where are we headed? What are the implications? These are very deep, real questions that affect the financial security of the United States and which affect very deeply individual Americans. And I very much hope we have that debate, and I want to begin that debate by indicating a few of the points I think we should consider.**

**It is our responsibility, Mr. President, to address the implications of our huge federal debt and deficits. We have the responsibility to do that. That's our job. It is much more or job to address all that than it is some other things I think we do here in the Senate, and I'm going to do what I can just to urge my colleagues and urge frankly anybody listening watching to consider this.**

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Let's review some of the facts about the debt limit. Currently, our Treasury, the United States Treasury, is authorized to issue debt totaling \$8 trillion. That's the current statute. Last year's budget resolution proposed an increase in that authorization of \$781 billion. That's an increase that would be the fourth-largest debt limit increase in the nation's history.

If I might just briefly, Mr. President, just indicate what that — in a graphic way, literally, what that really means, this is a chart showing the amount of federal debt limit increases that the Congress has enacted over various years beginning back not too long ago, 1986, up to the present. And the red bars here indicate the amount of the debt increase that Congress has enacted, because our federal debt is going up so quickly. And you can see that there was a big increase back in 1990. That was a time when frankly our country was under a little bit of pressure and the debt was going up. Since then it's been sort of periodic, and in 1998, 1999, and 2000, and 2001, we didn't have any debt increases. But what's happened lately? You can see all these huge debt increases in the last four years. 2002, Congress increased the debt by \$450 billion. In 2003, the congress increased the federal debt by close to \$1 trillion. Next year, Congress increased the federal debt by \$800 billion. That's four-fifths of a trillion dollars in one year. Last year, we did not have to increase the debt because the \$800 billion carried us over through 2005. Here we are again, having to increase the federal debt by \$781 billion.

The last four years there have been big, big increases in our federal debt. Why? Because we have been borrowing so much and this country has been — the congress has been authorizing and the president has proposed -- very, very large expenses. More striking, though, is the total increases that have occurred since the year 2002. During this administration, America's debt — that is, the total of the deficits — has increased by \$3 trillion. You can imagine, Mr. President, since 2002, if you add up all the increases in the federal debt, our federal debt has increased — increased — by \$3 trillion. That's not the level. The level now is \$8 trillion and close to \$9 trillion if the debt is increased further. But this is the increase and those increases have occurred only in the last four years.

That's a 40 percent increase in the entire federal debt accrued by our country in its entire history. So 40 percent of the increase in the federal debt — 40 percent — has occurred in the last four years.

Who is loaning the federal government these funds? Just ask yourself that question. That's lot of debt out there. Who owns the debt? Well, some of it is internal. The United States borrows from Social Security, and we all know that pretty soon those chickens are going to come home to roost.

Can't do that much longer. Pretty soon you have to start paying back all that's due under Social Security. But that's where some of it is. Much of the borrowing is from American citizens, American businesses.

But I think more alarming is the trend where much more of the borrowing is held by foreigners and by central banks in foreign countries. Japan holds two-thirds of a trillion dollars of our debt. China holds a quarter of a trillion dollars. I might add China's reserves are scheduled to be about \$1 trillion by the end of this year. The more alarming rate is the increase in debt held by foreigners, especially debt held by foreign banks. Mr. President, I tend not to be an alarmist. In fact, sometimes people say, Max, you're kind of easy-going here and don't get too upset, and so on and so forth. But I am quite concerned about these trends.

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I might also add some say debt held by foreigners back after World War II was extremely high too. Well, it was. But guess what? The composition of that investment held by foreigners was just that: investment. In infrastructure in the United States, in capital assets, that's the investment that foreigners made in the United States back after World War II. The composition of that today is much different. Today's debt is securities. To finance the borrowing and the borrowing by Uncle Sam, and we have to pay back that borrowing. We've got to pay interest on that borrowing.

The question is: How long can we continue to borrow all this money? That's the basic question. How can this go on? What are the implications to our foreign policy as foreigners increase their holdings of U.S. debt? What does all that mean? What might happen? To try to be wholly analytical about it, what does all that mean? What percentage of American taxes are being used to pay interest on that debt? How much are American taxpayers paying to foreigners directly through interest on the national debt? I think that should be debated. That is something quite concerning particularly if it is a large number. These are some issues I think should be debated.

We also should remember — this is not rocket science — ordinarily there are limits on debt. Ordinarily credit card companies or businesses or banks don't just automatically increase debt. It is not automatic. What happened in this country, in the last four years, it's been automatic. We just increase the debt. We just increase the debt.

Just think a little bit about the limits financial institutions impose on a family that wants to borrow. Most Americans have credit cards. Most Americans know there is a maximum balance on that credit card. You can only borrow so much. After a certain limit, you can't borrow any more. That's it. Wouldn't it be great if each individual could say, well, gee, we're just going to ask you, credit card company, just to increase the debt. Just ask to you do it. As the Congress is doing right now, just saying we'll increase the debt limit. You know, a person can't ask a credit card company, ask a bank willy-nilly to increase the maximum allowance on a credit card.

And there's a good reason for that. There have to be limits. We ought to live within our means. Let's take an ordinary business. In bank loans to a business, the bank pays a lot of attention to how that business is being run, whether it's being run well or not. [Now] foreigners or [those] that hold the debt are asking how well we're running our business. . . .

Mr. President, I frankly urge the majority leader to schedule a time for a full and thorough debate on this issue. I mean, this is real. This is really real. We all know that this cannot continue. We really don't know at what time, at what point, while it's continuing that it's increasing the debt, there might be some cataclysmic event. We just don't know that. But we do know with every debt limit increase, we're accelerating the time when something nasty, bad might happen economically.

Already some countries are starting to move out of dollars into other currencies. China is starting just a little, on the margins looking maybe, on a nudge looking at holding other currencies other than the dollar. Other countries, many countries worldwide, Mr. President, are becoming more self-sufficient. They don't need the United States as much now as they once did. And they're becoming more independent. They're going more their own directions, doing what they think makes sense for them economically. The bottom line is we have to live within our means. Any time we're increasing debt limit, we're not in our means, and I urge us to have a debate so we can know what we're really doing.

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