



FOR IMMEDIATE RELEASE

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Statement of Senator Max Baucus (D-Mont.) on the Need to Avoid Default and Pay America's Bills
As prepared for delivery

On January 27, 1838, a young state legislator named Abraham Lincoln spoke before a gathering in Springfield, Illinois. At the time, America was a deeply-divided nation and Lincoln warned that the greatest threats to the democracy were internal.

He said, "If [danger] ever reaches us, it must spring up amongst us; it cannot come from abroad. If destruction be our lot, we must ourselves be its author and finisher. As a nation of freemen we must live through all time or die by suicide."

The actions of the past few weeks — the extremism of a small group of members in the House of Representatives — have crippled Congress and put our nation on a very perilous path.

For more than 200 years, the United States has been true to its word, honored its obligations and paid its debts. Yet today, a small group of hardliners is using our economy as a bargaining chip to repeal the Affordable Care Act.

Let me be very clear: We're not going to let that happen. The Affordable Care Act is the law of the land. It is not going to be dismantled in this budget fight. This issue is not up for debate.

I am always open to this committee working together to strengthen the law to better serve the American people. But as the President said, we cannot negotiate under the threat of default on the nation's bills.

Before any debate, before any deliberation, we need to reopen the government and pay the nation's bills — no strings attached.

Then, we need to return to regular order around here. Working together, we must address the nation's long-term budget challenges, including entitlement and tax reform.

But right now, we need to prevent another self-inflicted wound to America's economy. That is what defaulting on the debt is: a self-inflicted wound with global consequences.

The deadline is fast approaching. In seven days, the United States Treasury will have exhausted all "extraordinary measures" to stay under the debt limit. In seven days, the United States will be at risk of defaulting on payments. The United States of America — the richest, most powerful nation in the world — will be forced to look for loose change in the sofa in order to pay its bills.

While the government shutdown has been disruptive, a default would be a financial heart attack. It would have widespread, long-term economic consequences. Financial markets are already showing serious signs of stress. The Dow has dropped more than 800 points over the last three weeks. And the one-month Treasury bill rate has risen to its highest level since the 2008 fiscal crisis.

If the debt ceiling is breached, the government would immediately have to slash federal spending by 20 to 30 percent, driving the nation back into a recession.

The pain would be felt across every sector of society. Social Security and Medicare would be cut, veterans' benefits would be slashed, funding for highways would be hit— every government program would be devastated by deep cuts.

Families would feel it firsthand with dramatic drops in their retirement savings. Jobs would be lost. Home values would plunge. Interest rates on mortgages and student loans would soar.

Some have said we can avoid default by prioritizing U.S. payments — paying bondholders and interest on the debt. But they fail to mention this scheme would force Treasury to pick which programs to pay, forcing vital programs like Social Security and Medicare to compete for funding. The idea is just irrational.

A default would have a catastrophic impact on the global economy as well. Jim Yong Kim, the president of the World Bank warned a default could have dire consequences for the world's economy. Christine Lagarde, the managing director of the International Monetary Fund, said it is "mission-critical" that the debt limit be resolved as soon as possible.

This is serious. The whole world is watching. Our actions here in the next couple of days will have global implications. We are the most important economy in world. The dollar is the world's reserve currency. Our Treasury bonds are the backbone of the international financial system. A default could put the global economy in chaos.

Last week, Treasury warned us that a default could cause a "financial crisis and recession that could echo the events of 2008 or worse."

Have people here forgotten what happened in 2008? The collapse of Lehman Brothers set off a financial earthquake. Markets plunged, unemployment surged and America's confidence was shattered to the core. The 2008 crisis upended lives across the country. The aftermath of which can still be felt to this day.

We cannot let that happen again. We have a responsibility to avoid another economic disaster.

Our leadership — our resolve — will be tested in the coming days. We — all of us here in this room — have an opportunity to pull America back from the brink.

Earlier this week, I introduced a bill with Leader Reid that would get us past this stalemate. The bill extends the nation's borrowing authority through the end of 2014, past the midterm elections. It is a clean increase without any amendments. It simply allows the United States to pay its debts and avoid a catastrophic default.

This is only a short-term solution, but it will help pull us back from the edge. It will allow us all here to pause, take a deep breath and once again try and come together to move forward.

I have been here in the Senate for close to 35 years — in Congress going on 39. I've seen my fair share of partisan fights. Never in my time here have I seen Washington so angry, so gridlocked or so broken. It doesn't have to be that way.

I know the public might find it hard to believe, but there are some reasonable people here in Congress. There are many who want to do what is right. There are many who want to work together to conduct the business of our nation.

I would say to them — and to all my colleagues — now is the time. Now is the time for Congress to stop refighting old battles. Now is the time for Congress to come together and do what is right for our nation. Now is the time for Congress to come together and reopen the government and fulfill America's financial obligations.

I began my remarks with a quote from President Lincoln and thought it appropriate to conclude with one as well. Lincoln once said, "I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crises."

That is why we are here today. We need to give the American people the truth — the real facts. Only then, when everyone understands the real risks at hand, will we be able to meet this national crisis.

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