



# Committee On Finance

Max Baucus, Ranking Member

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## **BAUCUS SPEAKS ON LOOMING DEBT LIMIT**

*Senator calls for fiscal responsibility, end to 'servitude' of debt*

*Washington, DC* – In anticipation that the U.S. will reach its current debt ceiling soon, U.S. Senator Max Baucus (D-Mont.), Ranking Member on the Senate Finance Committee, made the following remarks on the Senate floor Monday evening. Baucus has advocated a full discussion and debate of any increase in the national debt limit.

### **“Three Trillion Dollars of Debt”**

Mr. President, the Book of Proverbs says: “The borrower is servant to the lender.”

Today is a sad day for America. For we have become servant to many Nations.

Today we debate legislation to raise the Government’s borrowing by \$781 billion — more than three-quarters of a trillion dollars.

This will be the fourth-largest debt increase in the history of our Country. And it will be the fourth debt limit increase enacted in this administration.

In 2002, the Government raised the debt ceiling by \$450 billion. In 2003, the Government raised it by \$984 billion — nearly a trillion dollars. That was an all-time record. And in 2004, the Government raised the debt ceiling by another \$800 billion.

And now we consider legislation to raise the debt ceiling by another \$781 billion. When added to the three other debt ceiling increases during this administration, the total increase in the debt ceiling would be a mammoth \$3 trillion. That is servitude.

When this administration took office, the limit on Treasury borrowing was about \$6 trillion. It took us as a Country more than 212 years to accumulate that much debt. Now, a mere 5 years later, this administration has added another \$3 trillion.

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This one administration has added half again as much debt as all the other administrations that came before it, put together. That is servitude.

During the period that this administration has been office, the debt has gone up by about \$10,000 for every man, woman, and child in America. For a family of four, that is an increase of \$40,000.

What would an average American family think of that amount of debt? Imagine an average American family sitting at the kitchen table. Imagine them looking at \$40,000 in new debt. What would they think? Would they just call up the credit card company and ask for a higher limit?

The right thing to do would be to turn over a new leaf. The right thing to do would be to balance the family budget. When your debt spins out of control, you cut up the credit cards. You try to live within your means. And you stick to a budget for the future of your family.

The question is: Will Congress show that kind of fiscal discipline? Will Congress show the discipline that any American family would be expected to show?

And to whom are we servants? We are servants to foreigners. Much of the Treasury debt is now owned by foreigners. This includes both foreign citizens and central banks in foreign countries. That means that we pay interest to foreign citizens and foreign central banks. And over time, this will lower America's standard of living relative to what it could be.

How is debt like servitude? These large foreign holdings of Treasury debt are a risk to our homeland security and our economic security. Suppose that the President thinks that another country is jeopardizing America's security. Suppose that the President would like to tell that country that America would take action against it if it did not change its actions. But if that country's central bank owned a large amount of our Treasury debt, it could threaten to sell it quickly. That sale would drive up interest rates and cause the dollar to fall. That would cause a recession in America. As a result, the President might have to back down from threats against the other country. America would be at greater risk.

Or take the situation where America had in a trade dispute with a foreign country. Imagine that the foreign country's central bank owned a lot of our debt. Then that country could threaten to sell the debt it owned to force America to back down from our position in the trade dispute. America would be weaker in trade.

Foreigners own more than \$2 trillion of Treasury debt. This is double the amount that they owned at the beginning of this administration. Ninety-six percent of the increase in debt held by the public between December 2004 and December 2005 resulted from foreign purchases of that debt.

The bottom line is simple. These massive increases in debt harm America. They make us the servants of foreign nations.

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How did we get to this point? Federal budget deficits drive up our debt. And these deficits have been huge during this administration.

When this administration took office, we were running large budget surpluses. In fiscal year 2000, the last year of the previous administration, we ran a surplus of \$236 billion. We ran a surplus of \$86 billion even without counting Social Security.

By fiscal year 2001, the surplus counting Social Security had dropped to \$128 billion, down from \$236 billion in the prior year.

Then the tide of red ink really flowed. In fiscal year 2002, the Government ran a deficit of \$158 billion. The following year, 2003, the Federal Government ran a budget deficit of \$375 billion. That was an all-time record. But that record lasted just one year. The next year, fiscal year 2004, the Government set a new record by running a deficit of \$413 billion.

The following year, fiscal year, 2005, the Government ran a deficit of \$319 billion. Although this was not a record, it was still larger than deficits run in any year before this administration took office.

In the current year, the deficit will go up again. The administration predicts that the deficit will rise to \$423 billion. This would represent yet another all-time record.

To make matters worse, these record deficits are occurring just at the time that the retirement of the baby boom generation is about to begin. The retirement of the baby boom generation will put enormous stress on the Federal budget. It will lead to huge increases in the costs for Social Security, Medicare, and Medicaid. And this will drive up budget deficits.

The fiscal policy of this administration has been the most irresponsible in the Nation's history. This fiscal policy has generated huge budget deficits. And these deficits in turn have contributed to massive increases in Federal debt.

We need to change course. We must re-enact the tough pay-go budget rules. The pay-go rule says that if you want to increase entitlement spending or cut taxes, you have to pay for it.

Senators Conrad and Feingold will offer an amendment to the debt limit legislation to restore the tough pay-go rules. I will have more to say about that when the amendment is offered. But for now, let me cut to the chase. Every Senator ought to vote for that amendment.

We need to enact a tough pay-go rule. We need to work together to stop increasing the budget deficit. And we need to vote against the hemorrhaging of debt that has afflicted us these last few years. That is what we need to do.

The choice is clear: Will we fall further into debt to foreign powers? Or do we have the will to break the bonds of our debt servitude? All that is at stake is our freedom.

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