



Committee On Finance

Max Baucus, Ranking Member

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SENATE REFUSES TO LOOK AT IMPACT OF FOREIGN DEBT HOLDINGS ON U.S. ECONOMY, NATIONAL SECURITY

Amendment to debt limit legislation would have reviewed spike in foreign debt holdings

Washington, DC – The U.S. Senate today rejected an amendment by U.S. Senator Max Baucus (D-Mont.), Ranking Member of the Senate Finance Committee, requiring a study of American debt held by foreign countries. Baucus's amendment would have been attached to legislation that raises the country's debt ceiling by \$781 billion – the fourth debt limit increase that has been necessary during the Bush Administration. The Baucus legislation simply directed the Treasury Department to study and report on the huge increase of foreign holdings of U.S. debt and any associated economic, national security and trade implications. The amendment was defeated along party lines, 55-44.

“Some argued that passing this amendment would have delayed the debt limit bill, but the real reason this amendment was defeated was because some did not want Representatives in the House to have to be accountable for this fiscal policy,” said Baucus. **“That is an embarrassingly poor reason to vote against a study that would have helped to protect America's economic and security interests.”**

Five years ago, about \$1 trillion in U.S. debt was held in foreign countries. Today that number has doubled to \$2.2 trillion. According to a report from the non-partisan Congressional Research Service, net foreign investment in the United States was about 1.2 percent of the gross domestic product (GDP) in 1995. In 2005, net foreign investment increased by 400 percent, to roughly six percent of GDP.

“Foreigners are becoming our bankers, and taxpayers deserve to know what the real costs of our indebtedness may be,” said Baucus. **“This amendment was needed to get Americans the answers they deserve about the huge rise in foreign holdings of this spiraling U.S. debt.”**

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