



## **“A debt problem and a failure of leadership”**

*“The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. Government can't pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our Government's reckless fiscal policies... Increasing America's debt weakens us domestically and internationally. Leadership means that ‘the buck stops here.’ Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better.”*

*- Sen. Obama, Congressional Record, S.2237-8, 3/16/06*

Congress will soon be forced to consider an increase in the statutory limit on the debt, the sixth debt limit increase in the past four years. In voting against increasing the debt limit in 2006, then-Senator Obama said the need to raise the debt limit reflected “a failure of leadership.”<sup>i</sup> While Democrats argue that passing this legislation is the only responsible action to take in light of the government running up against the debt limit, this is a false choice. Congress has several other options.

### **Stop spending**

- The government is less than \$80 billion away from the debt limit because of spending growth that has outpaced inflation every year since 1993.<sup>ii</sup>
- Government spending grew \$705 billion in FY09, an increase of 24 percent, or \$6,077 in new spending per household in just one year.<sup>iii</sup>
- This year’s appropriations bills are on pace to increase non-emergency discretionary spending 8 percent, and the President’s budget envisions average spending increases of 4 percent a year over the next ten years, more than double the Administration’s inflation estimates.<sup>iv</sup>
- Enacting the President’s budget would make debt limit increases regular occurrences, as the projected annual deficit never gets below \$730 billion (3.9 percent of GDP) in any year for the next ten years;<sup>v</sup> controlling spending this year would eliminate or delay the need for future debt limit increases.

### **Pass a temporary increase**

- Democrats are reportedly considering a small permanent increase in the debt limit that, at the current rate of borrowing, the government would run into again in a few months.
- Congress has in the past enacted temporary measures that increase the debt limit for a short period of time but expire on a date certain, returning the limit to its current level. For example, during the negotiations over the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) that led to the permanent debt limit increase of November 5, 1990, Congress enacted six temporary \$72 billion increases until it finally agreed on a permanent \$950 billion increase.
- A temporary increase that expires sometime next year could provide a deadline for Congress to not just slow spending but develop a plan to reverse the ever-increasing Federal debt. Democrats who

have staked their support for a debt limit increase on the creation of a commission on entitlement spending could support a temporary increase until such a commission is created.

### **End TARP**

- Ending the Troubled Asset Relief Program (TARP) and creating a credible exit plan for recouping all of the taxpayer money obligated so far could reduce outstanding public debt up to \$370 billion.<sup>vi</sup>
- Because of TARP investments in foreclosure prevention and the auto industry, not all of that money is available to be paid back, but even freeing banks from government ownership could lower public debt over \$100 billion if they return all the capital that has been lent to them.
- 39 Republicans signed a letter in September calling for the Administration to end TARP.

### **Enact sensible deficit reduction ideas**

- The purpose of the debt limit is to force Congress to enact sensible limits on spending and borrowing; since Congress has regularly blown through those limits in recent years, this purpose has not been met. Having promised a “new era of responsibility” in the title of the President’s FY10 budget, Democrats, who control the White House, the Senate, and the House, could work with Republicans to enact sensible proposals, such as a spending freeze or enacting spending caps, to reduce the deficit and eliminate the need for future debt limit increases.

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<sup>i</sup> Senator Barack Obama, Congressional Record, S.2237-8, (3/16/06)

<sup>ii</sup> The Daily Treasury Statement of Friday, December 11, 2009, shows total public debt subject to limit at \$12.026 trillion and the debt limit at \$12.104 trillion, available at: <http://www.fms.treas.gov/webservices/show/?ciURL=/dts/09121100.pdf>; data on the historical real growth of Federal spending can be found in the historical tables of the Office of Management and Budget, table 1.3.

<sup>iii</sup> Much of this spending growth reflected temporary spending through TARP and the American Recovery and Reinvestment Act, but the Administration’s Mid-Session Review projects this increase to be permanent, with spending increasing 3 percent in FY2010 and essentially flat for FY11 and FY12 before spending growth begins again in FY13. By 2013, the government will spend 25 percent more than it did in FY08 and it will grow from there. The Mid-Session Review is available at: [http://www.whitehouse.gov/omb/assets/fy2010\\_msr/10msr.pdf](http://www.whitehouse.gov/omb/assets/fy2010_msr/10msr.pdf)

<sup>iv</sup> Mid-Session Review, Table 2

<sup>v</sup> Mid-Session Review, table S-1

<sup>vi</sup> The November 2009 Treasury Department Monthly Report on the Troubled Asset Relief Program shows that outstanding obligations from TARP, net of repayments, is approximately \$370 billion. Report available at: <http://www.treas.gov/press/releases/OSF%20AFR%2009.pdf>