

Opening Statement of Sen. Elizabeth Warren
Senate Banking Subcommittee on Economic Policy
“The Federal Debt Limit and Its Economic Consequences.”
March 7, 2023

I want to thank Ranking Member Kennedy, our other colleagues and our witnesses today for joining us at our first Subcommittee hearing of the new Congress, “The Federal Debt Limit and Its Economic Consequences.”

The debt limit is the total amount of money that the United States government can borrow to pay for the spending that Congress has already committed to. The debt limit won’t authorize new spending, but failing to increase it when needed would cause the U.S. government to default on its obligations, plunging our economy into crisis and pushing millions of Americans out of their jobs. Last month, the Treasury Department announced that the federal government will hit that default point as early as June.

House Republicans don’t seem concerned about the upcoming debt limit deadline. Instead, they seem down right thrilled to have an opportunity to use it as leverage to demand tax cuts for billionaires and giant corporations. Instead of taxing the wealthiest Americans, the Republicans want to shove the burden off on hardworking Americans with a massive new national sales tax or by imposing drastic cuts on Medicare, Social Security, and other government programs that support middle class families.

Today, a new report from Moody’s shows that House Republicans are trying to wedge the economy—and America’s workers—between a rock

and a hard place. Here's the rock: If they won't raise the debt ceiling, the House Republicans will plunge the U.S. economy into a recession and cost at least 1 million Americans their jobs. And here's the hard place: If they raise the debt ceiling but only in return for sharp spending cuts, they will also trigger a recession and push 2.6 million Americans out of work. Dr. Mark Zandi, one of the authors of the report, is joining us to explain these findings in more detail.

House Republicans have said out loud that they are looking for big spending cuts.

- Ways and Means Chair Jason Smith bragged that he would use the debt ceiling “to right size the federal government.”
- Rep. Buddy Carter said, “Our main focus has got to be... on entitlements.”
- Rep. Ralph Norman promised cuts that will “shock people.”
- And Kevin McCarthy committed not to raise the debt ceiling without securing massive spending cuts - and no tax increases - in order to bribe extremist House Republicans into letting him be Speaker.

But let's be clear about what the debt ceiling is. It doesn't prevent new spending. It doesn't bring back any of the trillions that went out the door with the Trump tax cuts. All it does is prevent us from paying the bills we've already run up. Congress should extend the debt ceiling immediately as part of doing our jobs – the same way the Republicans did three times while Donald Trump was President. Increasing the debt ceiling wouldn't increase the deficit, or cause any new spending, or have any negative effects at all.

But extremist Republicans are insisting on new, massive spending cuts that will fall almost entirely on middle-class families. Really, Republicans are working hard to wreck the Biden economy.

There are a number of Republicans who insist that they will not extend the debt ceiling, period. What would that mean? According to Moody's, a very short breach would plunge the economy into a recession and cause the loss of a million jobs – and a longer version could cost as much as 7 million jobs.

Breaching the debt ceiling would be a disaster, but the Moody's data show that caving in to House Republican cuts would also inflict terrible damage on our economy and put millions of people out of work.

Republican House leaders have suggested an immediate 10% real cut in federal spending – and then cutting spending by 26% over the next decade. That would mean massive cuts to programs Americans care about – education, housing, childcare, emergency response to hurricanes and floods, food inspection, air traffic control, medical research, fighting counterfeiters and drug traffickers, delivering the mail, monitoring air pollution, inspecting sewage treatment, fighting wildfires, keeping highways and bridges repaired—it's a long list that Republicans are willing slash.

In the short-term, these extreme cuts would drive the U.S. economy into a recession and force 2.6 million Americans out of their jobs. A decade from now, we'd still be short a million jobs and 2.8% of GDP - as if our economy had stood still for a full year. I'll say it again: a debt ceiling breach is bad for our economy, but House Republican spending cuts are

also a disaster, plunging our economy into a recession and putting more than two and a half million people out of work.

I appreciate UH-not VISE-en-froy-nd from my home state of Massachusetts joining today to help us understand the real-life impacts of these Republican plans.

It's impossible to take House Republicans' claims to want to reduce the deficit seriously. Their proposals seem designed just to cause pain.

There's a debate among economists about how important deficit reduction really is. But if we want to have a serious conversation about deficit reduction, it starts with the trillions of dollars – trillions with a T – we can raise with a few simple steps that would leave middle-class families untouched:

- repeal the Trump tax cuts for the wealthy and big corporations
- tax giant multinationals on their hidden offshore profits
- strengthen the billionaire corporate minimum tax
- raise the tax on stock buybacks, and
- make sure billionaires pay taxes on their growing piles of wealth.

Eventually, we must raise the debt ceiling and pay what we owe. That leaves our country with two options to deal with the national debt. We can raise trillions of dollars in new revenue without touching middle class families. Or we can cave in to Republican blackmail, wreck our economy, cut Medicare and Social Security, and cripple government programs that create jobs and invest in the middle class.

Today I sent President Biden a letter, urging him to put out a strong budget this week that raises revenues from the wealthy and well-

connected and rejects extremist, job-destroying House Republican plans. Our choice could not be simpler. And that's what we're here today to talk about.