Bipartisan Policy Center

The Time For Action Is Now

Moving Beyond Debt Ceiling Brinkmanship and Fostering Bipartisan Collaboration to Solve the Nation's Fiscal Issues

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Good morning, Chairman Whitehouse, Ranking Member Grassley, and members of the committee. Thank you for inviting me to testify today.

My name is Jason Fichtner, and I am Vice President and Chief Economist at the Bipartisan Policy Center, where I oversee the organization's research on economic policy. I am also a Senior Fellow with the Alliance for Lifetime Income and the Retirement Income Institute, as well as a Research Fellow with the Center for Financial Security at the University of Wisconsin. I am on the Board of Directors for the National Academy of Social Insurance (NASI), and a Member of the Puerto Rico Pension Reserve Trust, where I serve on both the Pension Benefits Council and the Pension Reserve Board. All opinions I express today are my own and do not necessarily reflect the views of any organization with which I am affiliated.

The Bipartisan Policy Center (BPC) is a non-profit organization that combines the best ideas from both parties to promote health, security, and opportunity for all Americans. The organization was founded in 2007 by four former Senate majority leaders – two Democrats and two Republicans: Howard Baker, Tom Daschle, Bob Dole, and George Mitchell. BPC drives principled and politically viable policy solutions through the power of rigorous analysis, painstaking negotiation, and bringing a diverse group of voices to the table. BPC's funding reflects the character and diversity of the organization.

The majority of BPC funding comes from charitable philanthropies. The remainder of BPC's support comes from individual donors and corporate donors. (A list of BPC donors can be found in our latest annual report.[2]) BPC believes that all its donors, as well as its project members, have unique and diverse interests. A strength of BPC's consensus-based negotiation process is that no single interest can unduly influence outcomes. In today's polarized environment, as a generalization, some on the right side of the political aisle will inevitably take issue with BPC's philanthropic funders while some on the left side of the political aisle will question BPC's corporate support. However, we believe today, as our founders did at the start, that bipartisanship is the only way to forge public policy solutions that are sustainable and carry national legitimacy. And it is with that philosophy that I testify before you here today.

From this discussion, I hope to leave you with the following takeaways:

- First, Congress must raise the debt ceiling;
- Second, the nation's debt is on an unsustainable trajectory and action must be taken now. Further delay will only make the problem worse and the necessary corrections more harmful to the country and to the most vulnerable in our society; and
- Third, raising the debt ceiling and tackling the fiscal challenges facing our nation will require both a bipartisan effort and presidential engagement.

The rest of my written testimony will focus on my three takeaways in more detail.

First, Congress must raise the debt ceiling. Period. Full stop. Taking the nation near the brink of defaulting on any payment obligations—or going over the cliff and failing to make any obligated payments—will cause unnecessary fiscal expense, potentially damage the full faith and credit of the United States, cause financial harm to millions of Americans (through possible delayed government payments and loss of stock market value and retirement account wealth) and, in the end, cost more than any potential savings being discussed or imagined. Even under a situation where the Department of the Treasury can prioritize certain payments,[3] such as interest on the debt and Social Security benefit payments, the problem of paying the rest of the nation's bills remains. Treasury would still be short of cash needed to pay full non-interest obligations by approximately 25% in an average month.[4] BPC will release more precise estimates of payments and shortfalls in the coming days. While a technical default on the debt might be avoided, the government would still default on other important obligations—payments that provide vital services to American taxpayers.[5] Going over the debt ceiling cliff does not solve the nation's fiscal problems, it makes them worse.

Second, the nation's debt is on an unsustainable trajectory. According to the Congressional Budget Office,[6] this year's deficit is estimated to be $1.4 trillion, with annual deficits averaging $2.0 trillion over the next 10 years. A $1.4 trillion deficit is slightly higher than the $1.2 trillion spent on Social Security benefits last year.[7] Further, the national debt now stands just over $31 trillion.[8] It is hard to comprehend a number this large. As an illustration, imagine you had $100 bills. A $10,000 stack of $100 bills would measure about one-half an inch thick. A pile of $100 bills totaling $1 million dollars would fit inside a standard school backpack, while $100 million would fit on a standard construction pallet. And $1 billion of $100 bills would be 10 standard construction pallets. But $1 trillion of $100 bills…a million million…a thousand billion…would require 1,000 of those $1 billion pallets, which double stacked would take up an entire football field.[9] That is $1 trillion. There are 32 football teams in the NFL[10]…just enough NFL stadiums to hold the nation's $31.46 trillion national debt printed in $100 bills. Our fiscal problem is real. According to CBO, the national debt is on track to exceed $46 trillion in 2033, or 118% of GDP. The interest payments alone will near $1.5 trillion in 2033 -- more than our nation is planning to spend on national defense.[11]

Third, bipartisan cooperation is imperative. If you are not sitting at the table, you are not negotiating. While the debt limit is not a good mechanism to facilitate the necessary and thoughtful conversation on addressing the nation's fiscal challenges, it is the opportunity currently present and available. I encourage members of the House and Senate, Democrats and Republicans, and President Biden, to sit down and negotiate before the Treasury Department runs out of options to continue making full payments on the government's obligations. Previous debt ceiling resolutions under divided government in 2011 and 2013 required bipartisan compromise and presidential engagement to move forward.[12]

Finally, I would add that it is critically important for the U.S. to avoid future debt ceiling brinkmanship. My BPC colleagues and I have proposed a solution.[13] As we point out in a January 17, 2023, explainer:

> "In the face of potentially disastrous consequences of crossing the X Date, why does the current process for raising the debt limit persist?
>
> The most common answer—that the debt limit acts as a check on federal borrowing—has proven false. Under both parties, Congress has enacted policies that are driving up deficits, including the 2017 Tax Cuts and Jobs Act, the 2020 Coronavirus Aid, Relief, and Economic Security Act, and the 2021 American Rescue Plan Act. Other budget agreements directly attached an extension of the debt limit to bipartisan increases in defense and domestic agency spending. The purported benefits of the debt limit have not materialized in recent years, while the costs have become clear. To durably protect the full faith and credit of the United States, policymakers should come together and pass legislation to de-

fuse the debt limit before the government nears—or even worse, crosses—the next X Date."

"The proposal would align the debt limit with the annual budget process, so that if Congress adopts a concurrent budget resolution, it would send legislation to the president suspending the debt limit through the fiscal year to which the resolution applies. Congress has operated in similar fashion before. In fact, this approach is a modified version of the so-called Gephardt Rule, which for years was used by the House of Representatives to deem an increase in the debt limit when the House passed its budget resolution. If Congress fails to pass an identical budget resolution through both chambers, or if the federal government is within 60 days of reaching its statutory debt limit, the president would be allowed to request an expedited debt limit extension, which would need to be accompanied by a debt reduction proposal sent to Congress. The president's request would automatically suspend the debt limit through the end of the subsequent fiscal year, subject to a vote of disapproval from Congress. This framework achieves two objectives: first, to take the possibility of a default on the government's obligations off the table; and second, to provide a vehicle to focus policymakers on the country's broader fiscal challenges."

I appreciate the opportunity to testify today, and I look forward to your questions.

Sincerely,

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Endnotes

1 Biographical information is available here: https://bipartisanpolicy.org/person/jason-j-fichtner/ & a link to my CV and list of publications is available here: https://sites.google.com/site/jasonjfichtner/

2 https://bipartisanpolicy.org/wp-content/uploads/2022/08/Annual-Report_Digital_Final-1.pdf

3 https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=400214 &

https://www.federalreserve.gov/monetarypolicy/files/FOMC20110801confcall.pdf &

https://www.wsj.com/articles/debt-ceiling-clash-revives-dispute-over-paying-bondholders-first-11674772420?mod=article_inline

4 https://www.brookings.edu/2023/04/24/how-worried-should-we-be-if-the-debt-ceiling-isnt-lifted/amp/

5 https://bipartisanpolicy.org/explainer/prioritization/

6 CBO, The Budget and Economic Outlook: 2023 to 2033, February 15, 2023. https://www.cbo.gov/publication/58848

7 https://www.ssa.gov/oact/STATS/table4a3.html

8 https://fiscaldata.treasury.gov/

9 https://seekingalpha.com/article/129497-what-1-trillion-looks-like

10 https://www.nfl.com/teams/

11 https://www.cbo.gov/publication/58946

12 https://crsreports.congress.gov/product/pdf/RL/RL31967

13 https://bipartisanpolicy.org/explainer/bpc-proposal-reform-debt-limit/