

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
"The Default on America Act: Blackmail, Brinkmanship, and Billionaire Backroom Deals"
May 4, 2023

Ranking Member Grassley, members of the committee, distinguished witnesses, and guests:

This morning, we are here to examine Kevin McCarthy's MAGA-infused, so-called "Limit, Save, Grow Act," more accurately known on our side as the "Default on America Act," an act cobbled together by House extremists in back rooms in the dark of night. Since the House didn't hold a single hearing on this extreme and dangerous measure, the Senate will.

MAGA Republicans' dangerous bill proposes a terrible choice: default on our financial obligations, cause widespread pain and wreck our economy. Or gut basic federal programs essential to our economic strength, cause widespread pain and wreck our economy.

MAGA Republicans have claimed they are averting a catastrophe by setting up this rotten choice. Do not believe it. They are causing one. Many of them want one.

Our Republican House friends care about the debt — sporadically. With Republican Presidents, they pass huge tax cuts for the wealthy and large corporations, adding trillions to the debt — more than \$7 trillion of debt was added under President Trump, and almost \$3 trillion under President George W. Bush, the last two Republican presidents.

But when there's a Democrat in the Oval Office they seek to interfere with the ability of government to function, whether it's shutdowns or near-defaults, or blocking economic recovery legislation. They seek to cause chaos.

Not coincidentally, this serves the eccentric and secretive billionaires and polluting industries who are the Republican Party's funders, whose stated goal is to destroy the so-called administrative state — the agencies that protect regular people against powerful polluters and special interests.

The party's funders, chief among them the fossil fuel industry, demand reward, and 275 out of 315 pages of the dirty D.O.A. bill are devoted to giveaways to the fossil fuel industry.

What is the history here? Since Bill Clinton took office 30 years ago, Congress has raised or suspended the debt limit on 24 separate occasions — 14 times under Democratic presidents and 10 times under Republican presidents. We've raised it under divided Congresses and under unified ones. We've even raised the debt limit twice under unified Republican control — with no strings attached — with President Trump in office. And two of the three times we raised the debt limit under President Trump were paired with spending *increases*.

On Monday, Leader Schumer, along with Senators Murray, Wyden, and I introduced a two-page bill to stave off default through the end of 2024. The section that would actually suspend the

debt limit is 31 words. The Senate should pass this bill immediately, particularly as we learned on Tuesday that Treasury could run out of funds as soon as June 1.

Attempting to extract partisan policy concessions, with threats to intentionally drive the American economy off a cliff, is the definition of extremism. Democrats haven't threatened to default unless Congress also passes gun control legislation or climate legislation, even though those are desperately needed policies with broad popular support. Why not? Because crashing the global economy if we don't get what we want isn't policymaking; it's hostage taking; it's extremism.

So let's examine the two terrible options the dirty D.O.A. bill tees up.

Option One is the Republican default option. What will that cost? Dr. Zandi estimates that a default of even just a few days would lead to a recession, cost close to a million jobs, and raise unemployment from 3.4% to 5%. A longer default would cost over 7 million jobs and push the unemployment rate over 8%. Interest rates on car loans, mortgages, and credit cards would rise. For decades.

Their other option is their Default on America Act, with its massive, back-room, devastating cuts to things like border security, law enforcement, education, affordable energy, opioid treatment, Meals on Wheels, elderly housing, administering Social Security benefits, and on and on – support vital to our economic growth and well-being.

Dr. Zandi analyzed the effects of this bill and estimates the D.O.A. act would cost 790,000 jobs and shrink the economy by \$141 billion next year.

We're supposed to choose between 790,000 and nearly a million jobs lost, and choose between recession and a \$141 billion hit to the economy. Pick your poison.

In addition to the cuts, the bill imposes what it calls "1% caps." Those caps on discretionary spending will affect a huge swath of what the government does, including the Defense Department and veterans' health care.

Republicans maintain that defense and veterans would not be cut. But no exemption for "veterans" appears even once in 315 pages. When Congress imposes spending caps, defense and veterans' programs get squeezed along with everything else.

Even if defense and veterans' health programs were allowed to grow with inflation, that shifts cuts to the remaining discretionary programs. Under this future, law enforcement, child nutrition, and scientific research would all be cut 33% below baseline next year. And by 2033, they'd be cut 60%.

Even the Republican chairman of the House subcommittee that oversees transportation and housing spending implied that the proposed cuts are "essentially unworkable."

Here are some gems: Republicans' D.O.A. Act would rescind the extra funding we provided to the IRS to go after wealthy tax cheats. This would add \$120 billion to the deficit, to help super-wealthy individuals and corporations who evade their tax responsibilities.

After all our work on health care, the D.O.A. Act would put 21 million people at risk of losing their health insurance.

The D.O.A. Act is a field day for polluters, repealing clean energy tax credits that are already generating over 142,000 jobs from more than 190 projects, including projects Republicans have touted back home, before coming to Washington to pull down those credits.

It would even let fossil fuel interests leak polluting methane emissions with no fee for polluting.

By contrast, President Biden's budget proposed \$3 trillion of deficit reduction by raising taxes on the wealthy and large corporations. It was win/win — people and corporations dodging tax responsibilities would pay a fair share, and the economy would grow. This D.O.A. proposes raising costs on working families. It's a lose/lose, pick your poison: default or disaster. Simply put, we must raise the debt limit, we must do it now, and we must do it without wrecking lives and livelihoods to appease eccentric billionaires.