



A Union of Professionals

AFT Questions and Answers About the Default Crisis

Q: What is the default crisis?

A: Speaker McCarthy and Republicans in Congress are refusing to pay the bills and threatening a default on the national debt. They want to create a crisis so they can make deep cuts to popular programs like Social Security and Medicare, taking away health care and retirement security from seniors, veterans and working families. But this isn't just politics—it's incredibly irresponsible.

Failure to pay the bills would cause tremendous economic harm to the American people.

- **Public Education:** Students who rely on special education services, school nutrition programs and other services for low-income families would face disruption or discontinuation of services. State and local governments would not be able to rely on promised funding for schools.
- **Social Security, Medicare and Medicaid:** Seniors and others on a fixed income would endure delays in Social Security payments. Medical providers, including hospitals, rural health centers and physicians accepting Medicare or Medicaid would not be able to depend on reimbursement, which imperils their ability to operate and serve patients. Millions of people, including seven million children relying on the Children's Health Insurance Program, could find themselves without coverage.
- **Veterans and Active Military:** Veterans and active U.S. military service members would face delays in receiving pay and earned benefits, such as tuition reimbursement, tuition assistance and disability payments. Default would erode trust and confidence in the value of service, potentially discouraging current and future generations from wanting to serve.
- **Federal Employees:** Dedicated public servants and their families would face hardship as the federal government would not be able to pay employees who help ensure our food is safe to eat, our water is safe to drink and our bridges are safe to drive on.
- **Interest Rates:** People would see their monthly costs skyrocket as everyday interest rates on cars, mortgages, credit cards and student loans will spike, adding significantly increased financial burdens on working people.

The **American Federation of Teachers** is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.

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- **Retirement:** Retirees and those saving for future retirement would see their 401(k)s nosedive, losing an estimated average of \$20,000 from their savings. Stocks could lose almost one-third their value, wiping out \$12 trillion in household wealth.

Simply put, **if the government cannot pay its bills, families and businesses may be unable to pay their bills.**

Q: How much would paying the bills cost us?

A: Nothing. Paying the bills by raising the debt ceiling does not create additional federal spending, nor does it create new obligations for the federal government. This is about allowing the government to meet previous obligations made over time by congressional majorities and presidents of both parties.

Q: How did the U.S. government get into debt?

A: The debt occurs because previous congresses and presidents of both parties have passed into law various tax and spending policies that impact all Americans—policies such as Social Security, Medicare, veterans' benefits or tax cuts for the wealthy.

Each Congress has the authority and opportunity to modify and alter our fiscal path by enacting prospective adjustments to the nation's tax and spending policies. We welcome a robust, thoughtful debate about those policies, but those conversations should be separate from making good on the obligations previously made.

Responsible lawmakers do not negotiate by threatening the financial health of families, communities and the global economy.

Q: Has the U.S. ever defaulted on its national debt?

A: No.

Q: Why is this happening?

A: The newly elected Republican-led House of Representatives is playing a political game with paying the bills and meeting the government's obligations—using the threat of default to demand deep cuts to significant achievements of the Biden administration such as infrastructure and clean energy jobs and critical programs families, seniors and working people rely on.

By refusing to pay the bills, extremist Republicans are throwing our entire economy into a tailspin and putting millions of working families on the brink of collapse—all to score political points with their base.

Q: If the U.S. defaults, what are the consequences for the economy?

A: In 2011, [the last time the U.S. hit its debt ceiling](#), markets were rattled, stock prices sunk, people lost their retirement savings and it was the first time the U.S. credit rating was downgraded. If Republicans

force a default on the debt in 2023, the global economy will face potentially devastating impacts. For example:

- It would delay and even cut Social Security, Medicare and 401(k)s, taking away retirement from seniors who have earned it and are counting on it.
- It would increase costs for working people by driving up interest rates on items like credit cards, car loans and mortgage rates at the same time families are struggling with the costs of inflation.
- It would hurt people who work for a living, but the ultra-wealthy and big corporations won't pay the price.
- It would cause a recession that costs the country six million jobs and unemployment would double.

Q: What can I do?

A: Urge Congress to act now. Congress must pay the bills and avoid default. **If your Congressperson is a Republican, demand they act responsibly and stop playing games with the U.S. economy that jeopardizes the security of American families.** Visit <https://www.aft.org/debtceiling> for more information and to take action.