A Union of Professionals

Congress Must Raise the Debt Ceiling

Everyday Americans pay their bills. The federal government should pay its too.

Raising the debt limit, or ceiling, in no way creates additional federal spending, nor does it create new obligations for the federal government. Rather it simply allows the government to meet previous obligations made over time by congressional majorities and presidents of both parties—in other words, it lets the federal government pay its bills. This also ensures that the sanctity of our fiscal word is never questioned or compromised.

Previous Congresses and presidents have passed into law tax and spending policies that affect all Americans—policies that pay out Social Security and veterans' benefits, or that provide tax cuts for the wealthy. Congress has the authority and opportunity to modify and alter our fiscal path by enacting prospective adjustments to those 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 that were previously made.

Conversations about future tax and spending policies should not be tied to threatening the financial health of families, communities and the global economy. Doing so would be fiscally imprudent and shortsighted.

Congress should continue the bipartisan history of raising the debt ceiling with no strings attached.

Simply put, Congress needs to vote to raise the debt ceiling and avoid defaulting on our obligations or even the threat of defaulting. This is not new; Congress has a long history of working bipartisanly to raise the debt limit with no strings attached (as was done three times most recently under the Trump administration). It's irresponsible and dangerous to play a political game with the debt ceiling by insisting on cuts in exchange for simply meeting the governments' obligations. Refusing to pay the bills would throw our entire economy into a tailspin and put millions of working families on the brink of collapse—all to score political points.

Default would be devastating to Americans.

Failure to raise the debt ceiling would cause tremendous economic harm, including cutting core benefits:

- Social Security recipients and veterans would not be able to count on receiving their earned benefits.
- Doctors and hospitals who treat Medicaid and Medicare patients would not be able to depend on receiving the reimbursements they have been promised.
- Federal employees—dedicated public servants who help ensure that our food is safe to eat and our bridges are safe to drive on—would not be sure that they will be paid for their work.
- State and local governments would not be able to rely on collecting the funding for schools that Congress has pledged to them.

- The financial sector, which extends credit to individuals and businesses while also investing in our economy, would not be able to continue doing so knowing they can trust that the U.S. government will pay its bills on time and in full.
- If the government cannot pay its bills, families and businesses may be unable to pay their bills.
- Interest rates on products that people across the country use every day, from cars to mortgages to credit cards to student loans, will skyrocket, resulting in thousands of dollars in burdensome and unexpected costs.
  - For example: The cost of the average 30-year mortgage could increase by $130,000.
- Americans who have put away savings in retirement plans would see their 401(k)s nosedive and lose their value.
  - Stock prices could be cut by nearly one-third, wiping out $12 trillion in household wealth.
  - A typical worker near retirement with 401(k) savings could lose $20,000.

Default would be devastating to our economy.

Just like for American citizens, the consequences for the economy have the potential to be devastating. For example:

- The U.S. could lose 4 percent of its gross domestic product.
- The national debt could balloon an additional $850 billion.
- Up to 6 million Americans could lose their jobs.
- The unemployment rate could rise to at least 7 percent.
- The dollar's value could steadily weaken in the long run if its status as the global reserve currency is diminished.
- In 2011, the last time the U.S. hit its debt ceiling, markets were rattled, stock prices sank, people lost their retirement savings, and for the first time the United States credit rating was downgraded.

Congress must pass a clean bill raising the debt limit and avoid jeopardizing our economy and threatening American families.