Senator Feinstein Opposes Raising Debt Limit

November 17, 2004

Washington, DC – *U.S. Senator Dianne Feinstein (D-Calif.) today announced her opposition to raising the national debt limit, citing the need for more fiscal responsibility to reduce the budget deficit, pay down the national debt, bring spending under control and preserve Social Security and Medicare.*

Following is the prepared text of a floor statement by Senator Feinstein:

"Mr. President, I cannot in good conscience support this request to raise the national debt limit to $8.1 trillion. Rather than raising the debt limit by $800 billion, we should be taking concrete steps to lower our budget deficit and reduce our national debt.

If today's increase is adopted, President Bush will have raised the nation's debt limit by more than $2 trillion. In other words, just 4 years into the job he has raised the debt limit more than any President in U.S. history.

The federal budget deficit reached a record $413 billion for fiscal year 2004, according to the Office of Management and Budget (OMB).

Over the next ten years the President's budget will create $2.3 trillion in additional debt for our nation. This is a stunning turnaround from four years ago, when the budget showed:

- a $127 billion budget surplus, and
- a projected 10-year surplus of $5.7 trillion.

This is a mind-numbing $8.0 trillion turnaround in just 4 years.

Given these numbers, it's not surprising that the debt limit has been raised twice in the past two years – by $450 billion in 2002 and by $984 billion in 2003.

At the same time he is raising the debt limit, President Bush is promising to 'cut the deficit in half over the next five years.' But his numbers don't add up and he has provided no clear path to achieve this goal.

In contrast, in 1998, following nearly 30 years of deficits and a 17-fold increase in federal debt from $365.8 billion to $6.4 trillion, we paid off $448 billion of the nation's publicly held debt.

For the first time in more than a generation, some of the funds which would have gone to pay interest on the debt were instead spent actually paying down the debt.

I see no similar path being offered by President Bush and now deficits and interest costs are growing once again. Net interest payments on the federal debt will increase sharply, from $159 billion in 2004 to nearly $350 billion by 2014.

Not surprisingly, when this nation runs a budget deficit, the government must borrow money from other sources to balance its books.

What would surprise many, however, is that we largely borrow this money from foreign countries – like China, Japan and S. Korea. And, the degree to which this Administration has borrowed from foreign nations is shocking.

Over the past four years, the U.S. has increased its borrowing from Japan by $700 billion; by $167 billion from China, $130 billion from Great Britain, and $60 billion from South Korea.

When President Bush came to office we owed $1 trillion to foreign countries – we now owe more than $1.8 trillion. We are ceding control of our nation's destiny for a quick payoff to wealthy taxpayers and this debt limit increase bill simply enables that disturbing behavior.

The Committee for Economic Development, an independent, nonpartisan organization of 250 business and education leaders, estimates that if we stay on our current course, the deficit will rise from 3.5% of GDP today to:

- 6.2% of GDP in 2020, and
- 21.1% of GDP in 2040.

Deficit growth of this nature would absolutely crush any hope this nation has of addressing so many of our pressing problems, like better homeland security, shoring up Social Security, and fully funding No Child Left Behind. Deficits do matter, and unless we face up to them, they could seriously harm our nation's economy. Here's why:

First, deficits mean increased spending on interest instead of priorities.

In the short term, deficits can help stimulate the economy or pay for emergency spending. But in the long term, they limit our nation's ability to fund much needed priorities.

This means less money for education, less money for environmental protection, and less money for health care.

Second, deficits lead to interest rate increases.

We have been fortunate in recent years - interest rates and inflation have remained low.

But as we have seen in the past few months, as the economy picks up, the downward pressure on interest rates are being relieved and the impact of deficits are starting to be felt.

This is adding huge expenses to variable home mortgages and auto loans.

An increase of just 1 percent adds $2,000 per year to the cost of a $200,000 home mortgage. This is more than the majority of American taxpayers received from the President's latest tax cut.

Third, deficits prevent us from addressing the looming Social Security and Medicare crises.

This is an issue that we can not continue to avoid. The retirement of the baby boomers will place a tremendous strain on our social safety net.

In fact, if we do not address the problem, the Medicare trust fund will go broke by the year 2019, and the Social Security trust fund by 2052.

Our nation was poised to deal with these crises at the end of the Clinton Administration.

Not only have we failed to shore up the Social Security and Medicare trust funds, but we are also tapping the Social Security trust fund to pay our bills -- to the tune of $164 billion last year alone.

So what do we do?

One possibility is to simply continue along our current path and pass our problems on to our children and grandchildren.

In fact, the debt limit increase that we are debating today enables the President to borrow from future generations and sends the message that we are unable to muster the political will necessary to pay today's obligations today.

So I strongly believe that the time has come to chart a different course, and make the tough choices that the President and this budget resolution avoid making.

We must adopt a balanced approach to both taxes and spending and return to a program of fiscal sanity.

This is what we did when I first came to the Senate over a decade ago. At that time, a small, bipartisan group of Senators came together to get our fiscal house in order.

- Democrats worked to bring spending under control.
- And Republicans pledged not to push for additional tax cuts.

Today, we must come together again to address the deficit and restore our nation's economic security.

On taxes, I believe that we must move to make our tax code more equitable, not make the President's tax cuts permanent. To make the President's cuts permanent at a time when the nation is running historically high budget deficits represents the height of fiscal irresponsibility.

The Tax Policy Institute estimates the cost of making these tax cuts permanent would cost $1.8 trillion over ten years – $1.8 trillion at just the time that baby boomers will start retiring and Social Security and Medicare need to be stabilized.

The tragedy of our current circumstance is that, given the surpluses he inherited, President Bush should have the resources available to devote additional spending to healthcare, education, and the environment. But the wrong policies, combined with the war on terror, escalating the 2001 tax cuts, and then extending many of them, have contributed toward the largest budget deficit and largest national debt in the country's history.

And now, the fact of the matter is that we are going to need to tighten our belts and bring spending under control.

I have no problem holding the line on spending, but believe that it must be done in the context of a more responsible approach to tax policy.

Finally, we need to take a good, hard look at Social Security and Medicare, and start addressing some of the deeper structural problems with these programs now - before they fall into crisis.

These are not easy answers. But holding off on additional tax cuts, bringing spending under control, and dealing with Social Security and Medicare is the only path to long term fiscal order, a balanced budget, and a healthy and vibrant economy."

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