

Business Community & Republicans To House GOP: Holding The Debt Limit Hostage Is Irresponsible, Catastrophic To U.S. Economy

Democrats aren't the only ones telling House Republicans they cannot hold the debt limit hostage for a partisan, divisive agenda. Wall Street executives and the business community, economists, and Republicans and conservative commentators agree that failing to raise the debt ceiling and defaulting on our debt, or even coming close to defaulting on our debt, would put our economic recovery at great risk.

The business community calls on Republicans to not hold the debt limit hostage:

Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co:

“This chatter about not meeting our obligations, I just don't understand it,’ he said. ‘It's a moral obligation to ourselves. ... They should know that the United States is good for its money. Period.’” [The Hill, 03/30/11]

“Jamie Dimon, chairman and chief executive officer of JPMorgan Chase & Co., said in March that he expects every company holding Treasury bonds to begin looking to sell if it appeared the U.S. could default on its debt. ‘A lot of people will have to start selling this stuff,’ he said at a March 30 event hosted by the U.S. Chamber of Commerce. ‘We’d be getting prepared for it way ahead of time. I would be taking really drastic action. It would be really unpleasant.’” [The Hill, 04/12/11]

“If the United States actually defaults on our debt, it would be catastrophic... If anyone wants to push that button ... they're crazy.” [LA Times, 04/19/11]

R. Bruce Josten, chief lobbyist for the U.S. Chamber of Commerce:

“This debate has moved into a different realm,’ said R. Bruce Josten... His organization and other business groups have been working to persuade Republicans not to hold up debt ceiling legislation... Josten and other business leaders have been conducting a low-profile but intense lobbying effort to bring aboard skeptical conservatives in Congress, many of whom the business groups backed financially in last year's election.” [LA Times, 04/19/11]

Ajay Rajadhyaksha, head of fixed-income strategy at Barclays Capital:

“Bond markets will start to get very nervous if we go beyond May 16 without a debt-ceiling agreement being reached.” [The Daily Beast, 4/16/11]

John Keefe, financial columnist:

“There's no doubt that our lawmakers need to work hard to reshape government, but trying to take the bond market hostage by holding back on the debt ceiling won't accomplish anything, and by creating even a remote possibility of a default by the U.S. government could hurt America's financial standing in the world's markets.” [CBS Money Watch, 04/17/11]

From Politico:

“The Wall Street executives say even pushing close to the deadline — or talking about it — could have grave consequences in the marketplace. ‘They don't seem to understand that you can't put everything back in the box. Once that fear of default is in the markets, it doesn't just go away. We'll be paying the price for years in higher rates,’ said one executive.” [4/11/11]

From Washington Post:

Office of Democratic Whip Steny H. Hoyer, 04/19/11

“Economists say failure to raise the debt ceiling would lead to cascading repercussions that would damage the United States’ creditworthiness and spark a debt crisis just as the country is recovering from the recession. Weeks of uncertainty about whether the ceiling will be raised could also cause havoc in financial markets, financial executives said.

“Industry officials said they have been warning lawmakers that a failure to act would reverberate not only through the bond markets, but across America. The government would no longer be able to pay for its commitments, such as Medicare and Social Security.”

“The officials said they try to make clear to lawmakers that raising the debt limit does not spur new spending. Instead, it enables the government to pay off maturing debt, or spending obligations already made. And, they point out, if the nation goes into default, its borrowing costs would spike.”

“Members of the Financial Services Forum — which represents the chief executives of 20 of the nation’s largest financial institutions — the U.S. Chamber of Commerce and other industry groups have fanned out across Capitol Hill to press lawmakers.”

“In some cases, lawmakers have been visited by community bankers and local business leaders from their districts — to put a friendly face on the lobbying effort and to underscore the point that it’s not just Wall Street, but also Main Street that would take the hit.”

“And when they see lawmakers at trade gatherings or dinner parties, Wall Street chief executives seek them out: ‘Hey, Congressman, I know you have to do what you need to do, but this debt ceiling vote is coming up, and I just want to take 10 seconds and talk about the economic consequences,’ one executive said, describing conversations he and others have had.” [04/19/11]

From Wall Street Journal:

“During a recent series of meetings and fund-raisers, top Wall Street executives and lobbyists have urged Republicans to resolve the debt-ceiling debate quickly or risk turmoil in the bond market.”

“In the sessions, House Speaker John Boehner (R., Ohio) explained the politics of the vote to investors, telling them Republicans won’t approve an increase in how much the U.S. can borrow without a long-term deficit-reduction plan, according to people familiar with his remarks. In turn, the executives said delaying a resolution could unnerve skittish credit markets.” [4/16/11]

Federal Reserve Chairman Ben Bernanke agrees the debt limit is not something Republicans should play politics with:

“‘The United States could conceivably ... be forced into a position of defaulting on its debt,’ he said. The results of such a default would be ‘catastrophic,’ said Bernanke... ‘I would very much urge Congress not to focus on the debt limit to be the bargaining chip in this discussion,’ he said. ‘The debt limit itself is something where we need to be very careful.’” [The Hill, 02/03/11]

Even fellow Republicans, including Speaker Boehner, and conservative commentators have warned that failing to raise the debt limit would be harmful to the economy:

Speaker John Boehner:

“I think raising the debt limit is the responsible thing to do for our country, the responsible thing for our economy... if we were to fail to increase the debt limit, we would send our economy into a tailspin.” [WSJ, 3/2/11]

"That would be a financial disaster not only for our country, but for the worldwide economy. You can't create jobs if you default on the federal debt." [Fox News Sunday, 01/30/11]

"Boehner and his team will have to convince Republicans that it really is in their best interest to go along with something they vowed, as candidates, to oppose. 'This is going to be probably the first really big adult moment' for the new Republican majority, Boehner told me. 'You can underline 'adult.' And for people who've never been in politics it's going to be one of those growing moments. It's going to be difficult, I'm certainly well aware of that. But we'll have to find a way to help educate members and help people understand the serious problem that would exist if we didn't do it.'" [The New Yorker, 12/13/10]

Douglas Holtz-Eakin, the president of the American Action Forum and former CBO Director:

"What markets typically dislike the most is uncertainty... The more it drags out, the greater that impact will be, and that's not a good thing." [The Hill, 4/12/11]

Charles Krauthammer:

"The Republicans have to be careful here. In the end the debt limit will be raised. You can't not pass it. It is catastrophic. It means American debt is in question. It can't happen... So when Republicans make demands on this, they have to have it in the back, if the demands are seen as unreasonable and too far of a reach, Obama could call their bluff. And then the reaction would be to blame the Republicans. You have to be careful. Neither side wants their bluff called, but it has to be a reasonable request, like a return to '08 levels of spending, or have the Republicans pick 10 programs which they would cut and say we want this cut or we will not raise the debt limit." [Fox Special Report with Bret Baier, 01/03/11]

George Will:

"I know of no other developed nation that has a debt ceiling. This is a purely recurring symbolic vote to make people feel good by voting against it... The trouble is it's suicidal if you should happen to miscalculate and have all kinds of people voting against it as a symbolic vote and turn out to be a majority. Because if the United States defaults on its sovereign debt, the markets will be — well, it will be stimulating." [ABC's This Week, 01/02/11]

Glenn Beck:

"This is the hardest thing for me to decide. I am glad I am not a member of Congress because the day they say we will not raise the debt ceiling of the rest of the world flees from America, I believe. They'll say 'Oh my gosh!' Because we owe that money. You can't pay the debt.... So that means we crash which I believe is inevitable but I don't think America is prepared for that but it is inevitable it will happen." [Fox Business Freedom Watch with Judge Napolitano, 01/05/11]

Bruce Bartlett:

"This morning, CEA chairman Austan Goolsbee warned Republicans against playing games with the nation's credit rating by refusing to raise the debt limit and creating a technical default. I have been warning people about this problem for more than a year because I know there is a widespread belief among the nuttier right-wingers that a debt default is just what the country needs to force massive spending cuts into effect. Many stupidly believe that the budget would be balanced overnight because the government couldn't spend any more than the available cash flow from taxes would permit. Since I first started writing about this danger, some of these nutty right-wingers have been elected to Congress under the Tea Party banner. Since many have never served in elected office before and know virtually nothing about economics or finance, I don't think they realize that they are playing with fire when they even hint at the possibility of a debt default. They are like children playing with matches." [Capital Gains and Games, 01/02/11]