

Democrats Call for Long-Term, Balanced Debt Limit Proposal To Give Economy Certainty It Needs, Reduce the Deficit

With less than a week until possible default, Speaker Boehner and House Republicans continue to advocate for a debt limit proposal that does not solve the problem; instead, it kicks the can down the road and does not give our economy the certainty it needs. Republicans often argue that we must give the business community certainty so that we can create jobs and grow the economy. But instead of working with Democrats on a long-term, balanced solution to pay our bills and reduce the deficit, Republicans are holding our economy hostage to their short-term proposal that will fail in the Senate.

The business community has made it clear that Congress needs to act quickly to pay our bills and reduce the deficit:

“Business leaders are becoming exasperated with Washington. And the dysfunction they see in the political system is holding them back from hiring and investing... The executives are horrified that the nation might be on the verge of losing its AAA credit rating, and their hunger for a grand bargain — a master plan to determine the nation’s fiscal future over the coming decade — is deep. ‘We’re still coming out of a deep crisis and recession,’ said Kevin Kelly, chief executive of Heidrick & Struggles, one of the leading executive search firms... ‘There have been fits and starts toward stronger growth, and now the outlook hinges on what happens in Washington.’” [Washington Post, 07/26/11]

“All the uncertainty comes just as businesses were starting to spend some of their record piles of cash. The confusion is also giving them another reason to delay hiring and investment... ‘This debt imbroglio is just giving companies another excuse not to do much,’ said Joseph LaVorgna, chief U.S. economist at Deutsche Bank. ‘They are going to hesitate to hire at a faster pace and probably be very cautious on their capital-spending outlook.’” [WSJ, 07/21/11]

“‘All of us in the business community have been watching that issue unfold. I think like most Americans, we’ve been confident that people will come to a common agreement,’ [Microsoft General Counsel Brad] Smith told POLITICO. ‘Of course with each passing day and the approaching deadline, there is a heightening sense of nervousness in the business community.’” [Politico, 07/26/11]

And investors expect a long-term agreement that will prevent default and a credit rating downgrade:

“Worries about the budget impasse in Washington and growing expectations the U.S. will suffer a credit-rating downgrade spread further across financial markets Tuesday... ‘Everything is taking a back seat to the debt-ceiling discussion,’ says Erin Browne, director of global macro trading at Citigroup.” [WSJ, 07/27/11]

“Stocks were weighed down again on Wednesday by worries that the United States could default on its debt or see its credit rating cut as lawmakers in the world’s largest economy appeared no nearer to an agreement on raising the borrowing limit... A worry in the markets is that only a short-term deal will be struck, with a promise to revisit the issue later. ‘Investors remain hopeful that a deal can be made in time, but the longer the delay goes on, the more entrenched investors’ fears become,’ said Joshua Raymond, chief market strategist at City Index.” [AP, 07/27/11]

Instead of wasting time with a bill that will never reach the President’s desk, it’s time for Republicans to abandon their partisan games and work with Democrats to act quickly on a compromise that pays America’s bills, reduces our deficit and creates certainty so businesses can grow and hire.

Office of Democratic Whip Steny H. Hoyer, 07/27/11