Senator John Kennedy Opening Statement
Economic Policy Subcommittee—Senate Banking Committee

The Federal Debt Limit and its Economic and Financial Consequences
March 7, 2023

Thank you, Chair Warren, for hosting today's hearing.

The country reached its debt limit on January 19, 2023. Our debt has spiraled out of control to $31.4 trillion. The United States is currently using "extraordinary measures" to pay its obligations, and the Congressional Budget Office (CBO) estimates that the United States will run out of road sometime this summer. Failing to raise the debt limit would cause ripple effects throughout the economy, a downgrade to the US credit rating, and significant market volatility.

Congress needs to put the economy back on track and end this reckless tax and spending spree. Some of my colleagues view the debt limit as an opportunity to reform our out of control spending. However, if you're going to borrow money, you have to pay it back. It is the responsibility of Congress to stop spending frivolously. When Congress considers the debt limit, you will see that it's always a negotiation process. We need to have that debate now, not when we get close to defaulting on our debt.

According to the Federal Reserve Bank of Kansas City[1], “Borrowing costs rose more steeply when debt ceiling episodes were resolved closer to an x-date. […] In addition, financial intermediaries experienced greater liquidity strains when debt ceiling episodes were resolved closer to the expected x-date.”

The debt as a percentage of our GDP is growing. According to the Treasury, US debt was 124 percent of GDP in 2022.[2] It’s clear that the federal government spends too much, and has too much debt. Over the past two years, Democrats spent $1.9 trillion on the American Rescue Plan, $745 billion on the Inflation Reduction Act, and $625 billion on the Infrastructure Investment and Jobs Act, but I’m not going to vote to allow the United States of America to default, even though I didn’t vote to pass these expensive bills.

Should we get close to defaulting on our debt, Congress should not be permitted to go home. If they do leave, I believe that the Sergeant-at-Arms should compel attendance and fine senators for missing votes related to the debt ceiling. In fact, I’m working on legislation to ensure senators stick around if we get close to the

[1] https://www.kansascityfed.org/research/economic-bulletin/pushing-the-limit-last-minute-debt-limit-resolutions-have-increased-market-volatility-and-uncertainty/
[2] https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/

“x” date. Additionally, in order to avoid default, the bill would require raising the debt limit daily in increments should the negotiations go past the “x” date.

In the past 25 years, our Congress has enacted 20 laws to increase or suspend the debt limit. Congress has never defaulted, and I urge my colleagues to vote to raise the debt limit this time around too.

In closing, I would like to thank Dr. Douglas Holtz-Eakin for participating in our panel. I welcome you to the Senate today, and I look forward to your testimony. Additionally, thank you Dr. Michael Strain for joining us on this subcommittee today. I look forward to your testimony. Thank you both for lending your expertise on the issue.

With that, I turn it over to Chair Warren. Thank you.