



Congress positioned to deal with debt debate

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Dems, GOP disagree on amount of 'IOU' ceiling, and what measures will prevent defaults

WASHINGTON — Amidst niceties, welcome-backs and hugs of lawmakers stumbling over Articles in the Constitution, Congress is bracing for the big cheese of government cheddar scraps as they return for one of the more bombastic sessions in recent political memory. The eight hundred pound gorilla beating up reluctant legislators is an eye-popping national debt that's reached starts-with-a-"T" proportions.

Observers expect some of the nastiest fights on Capitol Hill to revolve around the national debt, which hit \$14 trillion recently ... and counting: an in-your-mug reminder of the loaded fiscal shoveling Congress must perform or risk certain financial death.

It's an unpleasant New Year reality that has muted the chest-thumping of emboldened House Republicans and their newfound majority, high-wire acting between rhetoric and tough decisions in the face of a quarrelsome conservative base. And there is concern among Democrats and Republicans who fear debates over the budget could be pushed to the brink with initial brawls over whether or not to raise the current debt ceiling limit set at \$14.3 trillion.

It's a question tapping on the head of every Congressional member like a school yard bully fishing for lunch money: Vote to cap how much the government borrows, and everything from D.C. to the global economy defaults in a fast credit meltdown. Vote to increase the limit on how much Uncle Sam I.O.U.s, and the debt gets unbearably higher.

Cato Institute budget expert Tad DeHaven sees Congress caught between "short term stability versus long term disaster."

"If we continue to raise debt limits, we're going to have a crisis anyhow," says DeHaven. The political dynamics of the debt debate are tricky.

Republicans, with a new majority in the House and added numbers in the Senate, are faced with one of their first real post-midterm political tests. They will be forced to vote on a tea party favorite that swept them into office. And despite GOP talking point rhetoric threatening nuclear option on the mother of all austerity measures, it's a difficult position: vote to increase the national debt ceiling past the current limit risks angry rejection from tea party activists.

Voting against it could place the national economy in greater peril.

The Obama Administration is already painting doomsday scenarios with Treasury Secretary Timothy Geithner warning that GOP refusal to raise the debt ceiling "would precipitate a default by the United States."

"Never in our history has Congress failed to increase the debt limit when necessary," wrote Geithner in an open warning letter to Republican leaders last week. "Failure to raise the limit would precipitate a default by the United States. Default would effectively impose a significant and long-lasting tax on all Americans and all American businesses, and could lead to loss of millions of American jobs. Even a very short-term or limited default would have catastrophic economic consequences that would last for decades."

But, Democrats — with a President facing re-election — also find themselves between the proverbial rock and hard place. As the debt ceiling debate commences, with a vote likely in March, some observers predict Republicans will fold — but not without major concessions. GOP leaders will want any number of programs cut in an effort to rein in spending as a way to control debt. Democrats will feel the pressure between fighting back Republican assaults on key entitlements while fending off charges from progressives that they're being punked. But fighting back too hard welcomes accusations from Republicans that Democrats are big spenders responsible for the current mess on the floor.

Even President Barack Obama found himself making that same tough choice in 2005 when, as a senator from Illinois, he voted against raising the debt ceiling for a Bush Administration that had wrecked record surpluses to play war in Iraq and Afghanistan.

Sen. Jim DeMint (R-S.C.), the hard charging vocal conservative and unofficial leader of the tea party in the Senate, is calling for a "big showdown," setting the stage for an ugly wrestling match over the economy's fate and the Obama Administration's fiscal year 2012 budget.

"We need to have a showdown at this point that we are not going to increase our debt ceiling anymore. We are going to cut [spending] necessary to stay within the current levels, which is over \$14 trillion. This needs to be a big showdown," said DeMint in a recent National Review article.

DeMint, angling for a Balanced Budget Amendment, wants cuts on the table. "[The] only debate is how much to spend, how much to add, how much new debt. We haven't gotten on the other side of the ledger yet."

White House Council of Economic Advisers Chair Austin Goolsbee disagrees with the “showdown” approach as Obama Administration officials worry the ensuing debate in Congress over the debt ceiling will send ominous signals to world markets. “The impact on the economy would be catastrophic,” said Goolsbee on ABC News This Week.

“I mean, that would be a worse financial economic crisis than anything we saw in 2008,” Goolsbee contends. “As I say, that’s not a game. I don’t see why anybody’s talking about playing chicken.”

Still, CBS News’ political analyst John Dickerson says it’s all about the tea party. “As they battle over maybe getting some spending reductions in order to raise that limit, what Republicans will try and do is say to their tea party backers, ‘Look, we had to raise the debt limit or it would have been catastrophic not to, but we got spending reductions as part of a deal to do so,’” observes Dickerson. “And they’ll just have to hope the spending reductions are good enough.”

Rep. Reid Ribble (R-Wis.), a business owner now newly minted freshman in Congress navigating through the ooh-ahh of Congress won’t commit on what his vote might be. But he places the debt ceiling debate within the context of running an everyday business, from balancing ledgers to making payroll. “Certainly, when you run your business, you have to run it responsibly,” says Ribble “You’re forced by the very nature of business to live within a certain structure.

“Raising the debt limit is necessary to allow the Treasury to meet obligations of the United States that have been established, authorized and appropriated by the Congress,” argues Geithner on the other end. “It is important to emphasize that changing the debt limit does not alter or increase the obligations we have as a nation; it simply permits the Treasury to fund those obligations Congress has already established.”

But DeHaven feels that a much larger issue is at stake as a debt debate will require a national conversation on the role of government. “The deficits are so large in relation to the political will,” says DeHaven. “We can’t just have vague discussions about the need to cut spending.”