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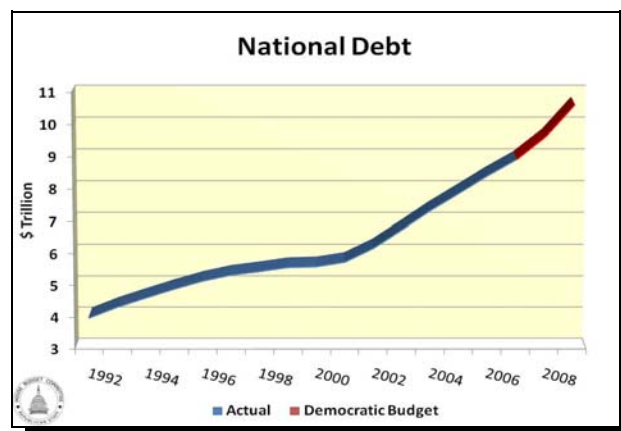
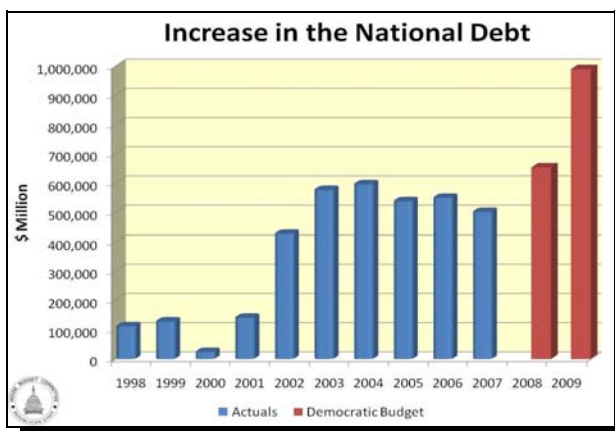
BUDGET RESOLUTION CONFERENCE REPORT - FISCAL YEAR 2009
THE DEMOCRATS' RECORD DEBT HIKE

4 June 2008

"Their [the Republicans'] record is record deficits, record debt, record borrowing from abroad." - Senator Kent Conrad, Chairman, Committee on the Budget, in the National Journal, 31 May 2008

"Fiscal responsibility and accountability are core Democratic values." Speaker of the House Nancy Pelosi, 7 December 2007

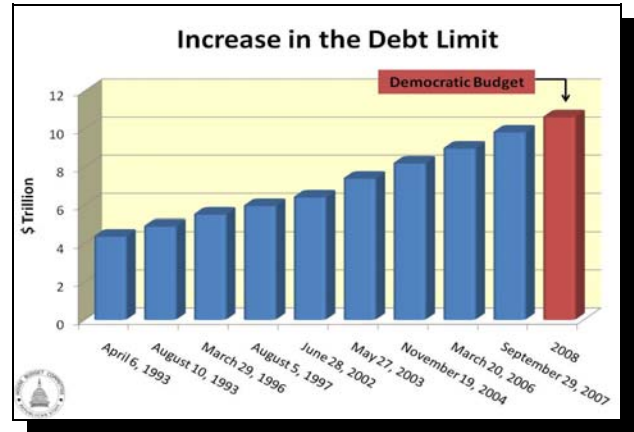
- Record Debt Increase. After chastising the President and previous Republican-controlled Congresses for increasing the debt, House and Senate Democrats this week plan to pass a budget conference report that would lead to the largest annual increase in the debt in U.S. history.
Specifically, section 101(5) of S. Con. Res. 70, the fiscal year 2009 budget resolution, would cause the national debt to increase to \$9.575 trillion by the end of the current fiscal year (on 30 September 2008), a \$654-billion increase from the previous year.
From there, the debt will only get worse. According to the Department of the Treasury, the government could reach the current debt limit of \$9.815 trillion as early as the end of this calendar year.



- A Further Stealth Debt Hike. The conference report raises the debt limit even further after that - to \$10.615 trillion - without requiring the House to vote on it. It does so

through the celebrated “Gephardt Rule” – an invention of former Democratic Leader Richard A. Gephardt – which causes the automatic passage of a debt-limit increase once the budget conference report is passed.

The provision triggering the Gephardt rule does not even appear in the actual text of the budget resolution. Instead, it appears on the last page of the statement of managers’ language accompanying the budget resolution (page 143), which calls for this \$800 billion increase in the debt limit (see chart alongside).



- Only the Beginning.** But even these huge debt increases fail to account for all the debt the Majority’s spending plans would accrue. For example, the House-passed war supplemental includes a \$14.5-billion (over 10 years) unemployment extension; and the Senate included a similar extension plus a 10-year, \$51.6-billion increase in GI benefits. This added spending, *which is not reflected in the budget resolution conference report*, will boost the Federal debt above the record debt increase the Democrats do own up to.

- Debt in Perspective.** These debt figures apply to what is know as “debt subject to limit.” It comprises both the “debt held by the public” – the net amount of Treasury borrowing from the economy – and internal government borrowing. The Congressional Budget Office and most economists focus on the debt held by public and measure its impact in relation to the economy. But even by this measure, the debt rises under the Majority’s budget conference report – to 37.9 percent of gross domestic product [GDP].

- At the end of fiscal year 2007, debt held by the public totaled \$5.035 trillion, and fell to 36.8 percent of GDP that year.

- Under the Democratic budget resolution, debt held by the public would rise to \$5.404 trillion in fiscal year 2008, or 37.9 percent of GDP, the highest level relative to the economy since 1999.

- During Republican control of the House, the debt held by the public declined dramatically until the 2000-01 recession and the 9-11 terrorist attacks; and even after these challenges, debt relative to the economy declined in 2006 and 2007 (see chart).

