



Treasury Seeks to Heighten Debt Ceiling

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FOX NEWS

WASHINGTON — The Treasury Department appealed to the House speaker on Tuesday to increase the government's ability to borrow money so it could avoid hitting the \$6.4 trillion debt ceiling and defaulting on its loans.

Government debt subject to the borrowing limit is already at \$6.28 trillion and could reach the current ceiling by February.

"This action is necessary to ensure success in our efforts to combat terrorism, continue the economic recovery and create jobs ... and maintain the soundness of federal government securities," Deputy Treasury Secretary Kenneth Dam wrote in a letter to House Speaker Dennis Hastert, R-Ill. A copy was sent to new incoming Senate Majority Leader Bill Frist, R-Tenn., and key House and Senate budget, tax and finance committee lawmakers.

Dam said the Treasury Department is taking into account just how expensive it is to wage war on terror in the wake of the Sept. 11 attacks, citing an economic slowdown that began in September 2000.

The Homeland Security Department -- with its expected \$38 billion annual budget -- hasn't even started up yet, but billions of dollars have already been spent on homeland security.

If Treasury doesn't get the approval -- and Dam didn't state how much of a hike the department is seeking -- officials could choose from a number of possible financial maneuvers to get around the limit.

If approval is granted, it will be the second time in months that Congress has allowed an increase in the debt limit. On June 29, Congress agreed to raise the ceiling by \$450 billion. Treasury warned them that another hike would be needed later.

Earlier this year, the department suspended a debt program for local and state governments and juggled federal retirement accounts to prevent a default while Congress weighed whether to increase the ceiling, more of a political decision than a financial one.

Treasury officials regularly auction debt securities to raise money for the government's day-to-day-

operations and to meet its obligations.

This latest request is already drawing fire from opponents.

Democratic Sen. Kent Conrad of North Dakota, the outgoing Senate Budget Committee chairman, said the Bush administration wants "our children and grandchildren to pay our bills."

Sen. Tom Daschle, D-S.D., the top Senate Democrat, said of the administration, "They need to get serious and get a new economic plan now."

Economists and others doubt that Congress will not eventually raise the limit. A federal default is considered unimaginable because it would rattle the bond markets, force interest rates higher, weaken the world economy and deliver a jarring political blow to Bush.

Fox News' Caroline Shively and the Associated Press contributed to this report.

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