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Snow says don't let Uncle Sam go broke

By Associated Press
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WASHINGTON — Treasury Secretary John Snow said yesterday the United States could face the prospect of not being able to pay its bills early next year unless Congress raises the government's borrowing authority, now capped at \$8.18 trillion.

Snow, in a letter to lawmakers, estimated that the government is expected to bump into the statutory debt limit around the middle of February.

"At that time, unless the debt limit is raised or the Treasury Department takes authorized extraordinary actions, we will be unable to continue to finance government operations," Snow wrote.

If the department were to carry out various accounting maneuvers — as it has done in the past to avoid breaching the limit — that would free up finances and allow the government to keep paying its bills "no longer than mid-March," Snow wrote.

Boosting the debt limit is more a matter of politics than economics.

Economists doubt Congress will refuse to raise the limit. A federal default is considered unimaginable because it would rattle bond markets, force interest rates higher and shake the economy.

The last time Congress agreed to boost the debt limit was in November 2004 — from \$7.38 trillion to the current \$8.18 trillion. The government's statutory borrowing authority also was pushed up in 2002 and in 2003.

Snow's letter did not say how much of a boost to the current debt limit the department would like to see this time.

Instead, Snow implored: "I am writing to request that Congress raise the statutory debt limit as soon as possible."

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