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CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
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The Honorable Patrick McHenry
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

I am writing to request that you promptly convene a Committee hearing to consider how Congress should protect the creditworthiness of the United States government, including by reviewing the likely financial and economic impact of a potential default on the full faith and credit of the United States. This is the biggest threat to our financial stability and economy today. Treasury Secretary Janet Yellen has already notified Congress that the United States hit its borrowing cap weeks ago, and that the Department of the Treasury is utilizing "extraordinary measures" as the country hurtles towards running out of money to pay its bills when they come due. Yet, the first hearings the Committee is holding this week make no attempt to examine this important issue.

As Members of Congress, we took a solemn oath to "support and defend the Constitution of the United States against all enemies, foreign and domestic." The Fourteenth Amendment of the Constitution states that, "The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned." However, House Republican Leadership is threatening to call into question the validity of our debts by not addressing the debt limit in a timely manner, risking a catastrophic default.

We have seen this threat before during past times of Republican leadership in the House. Just the mere threat of default, on its own, can lead to market volatility, as it did in 2011. Even though the debt limit was addressed, the near default had serious impacts on everyday families, including spiking mortgage rates, making it more difficult for homebuyers to secure housing. In 2011, Standard & Poor downgraded United States federal debt from its AAA rating. In 2013, Democrats led the Senate and held hearings on the impact of a potential default on financial stability and economic growth, and a default was, then, narrowly avoided.

If the United States were to default on its debt, there would be severe effects on financial stability and the economy. Among the many possible catastrophic outcomes of forcing the U.S. to default on its debt,[1] some project that the global economy itself could freeze if the U.S. Treasuries market collapses.[2] Further, if the U.S. defaults on its debts, there would be irreversible damage caused to the U.S. dollar's status as the global reserve currency, to Americans' standard of living, and to our nation's economic standing and political influence.[3]

President Biden has led our country into the best economy for workers in decades, with more than 12 million jobs created since the President took office. This could all be endangered, as a default could send

[1] VOA, R. Garver, *5 Ways US Debt Default Would Echo Through Global Economy*, (Sep. 30, 2021).
[2] Chartbook, A Tooze, *Chartbook #172: Finance and the Polycrisis (3) US Treasuries - how fragile is the world's most important market?*, (Nov 15, 2022).
[3] The Hill, K. Brill, *Debt ceiling debate: A gift to China's grand strategy*, (Jan 27, 2023).

already high interest rates even higher and trigger a recession. A default would also directly impact millions of Americans, threatening the government's ability to pay Social Security checks to seniors and salaries to our servicemembers.

With the serious implications of a debt default looming over our economy, this should be the top priority for our Committee. I encourage you to promptly convene a hearing so that our Committee does not turn a blind eye to the very real impact of a downgrade of the U.S. credit rating and a default on U.S. debt, including what it will mean for consumers, investors, retirees, servicemembers, small businesses, community financial institutions, financial markets, financial stability, and the U.S. economy.

Sincerely,

Maxine Waters

MAXINE WATERS
Ranking Member