

News from Senator

BOB DOLE



(R - Kansas)

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FOR IMMEDIATE RELEASE
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STATEMENT OF SENATE MAJORITY LEADER BOB DOLE

DEBT LIMIT DEADLINE

OVER THE LAST MONTH AND A HALF, THE TREASURY DEPARTMENT HAS REPEATEDLY WARNED US OF THE CONSEQUENCES OF FAILING TO PASS AN INCREASE IN THE DEBT LIMIT. WE HAVE FACED TWO DEBT LIMIT DEADLINES, BUT IN BOTH INSTANCES THE TREASURY HAS FOUND WAYS TO AVOID DEFAULT WITHOUT ANY CHANGE IN THE DEBT LIMIT. FIRST, BEGINNING ON OCTOBER 9, THE TREASURY UTILIZED THE INDEPENDENT BORROWING AUTHORITY OF THE FEDERAL FINANCING BANK TO OBTAIN \$15 BILLION OF ADDITIONAL CASH TO OPERATE THE FEDERAL GOVERNMENT. ONCE THAT CASH WAS EXHAUSTED TREASURY OBTAINED ADDITIONAL BORROWING AUTHORITY WITHIN THE EXISTING DEBT CEILING BY ACCELERATING THE REDEMPTION OF FEDERAL SECURITIES HELD IN THE SOCIAL SECURITY AND OTHER TRUST FUNDS.

NOW WE FACE YET ANOTHER DEBT LIMIT CRISIS IF A DEBT LIMIT INCREASE IS NOT ENACTED BY THURSDAY, NOVEMBER 14TH. FOR MANY MEMBERS THE TREASURY DEPARTMENT'S LATEST WARNING MAY SEEM LIKE THE SHEPHERD BOY WHO REPEATEDLY CRIED "WOLF!" WHEN THERE WAS NO WOLF. BUT ONE MUST REMEMBER THAT THE SHEPHERD BOY IN THE FABLE EVENTUALLY WAS CONSUMED BY THE WOLF AFTER ALL THE VILLAGERS IGNORED THE BOY'S FINAL WARNING WHEN IT WAS FOR REAL.

THE WOLF REALLY MAY BE AT OUR DOOR THIS WEEK. THE TREASURY INDICATES THAT UNLESS WE ACT BY MIDNIGHT ON NOVEMBER 14TH, THE TREASURY WILL DEFAULT ON BETWEEN \$25 AND \$30 BILLION OF ITS OBLIGATIONS ON FRIDAY, NOVEMBER 15TH. BEGINNING AT 8:30 A.M. ON FRIDAY, THE FEDERAL RESERVE WILL BE NOTIFIED TO NO LONGER HONOR FEDERAL CHECKS. THIS WILL MEAN FAILURE TO MEET ABOUT \$16 BILLION OF INTEREST PAYMENTS DUE ON TREASURY SECURITIES AND ON ALMOST \$9 1/2 BILLION IN PRINCIPAL DUE ON TREASURY SECURITIES THAT ARE MATURING ON FRIDAY. THIS DEFAULT WOULD MEAN THE FULL FAITH AND

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CREDIT OF THE U.S. GOVERNMENT IS NOT ADEQUATE SECURITY FOR HOLDERS OF OUR OBLIGATIONS. IF THIS OCCURS, OBVIOUSLY IT WILL HAVE A DESTABILIZING EFFECT ON FINANCIAL MARKETS AND CERTAINLY RESULT IN LONG TERM HIGHER INTEREST COSTS FOR THE FEDERAL GOVERNMENT AS INVESTORS SEEK A HEDGE AGAINST THE RISK OF SIMILAR OCCURRENCES IN THE FUTURE.

I HOPE WE CAN ALL AGREE THAT THIS RESULT MUST BE AVOIDED. THAT IS WHY I AM URGING MY COLLEAGUES WHO ARE NEGOTIATING OVER THE DEBT LIMIT BILL AND THE GRAMM-RUDMAN-HOLLINGS BUDGET REFORM TO MOVE SWIFTLY TO AGREE ON A PACKAGE THAT WE CAN ALL SUPPORT. OUR CONFEREES ARE DOING AN OUTSTANDING JOB, AND I KNOW THAT CHAIRMAN BOB PACKWOOD IS DETERMINED TO GET A SATISFACTORY AND TIMELY SOLUTION OF THIS MATTER.

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