

U.S. Treasury's Yellen: Debt default would 'permanently' weaken America

WASHINGTON (Reuters) -U.S. Treasury Secretary Janet Yellen issued a fresh plea for Congress to raise the federal debt ceiling on Sunday, arguing a default on U.S. debt would trigger a historic financial crisis.

In a Wall Street Journal opinion piece <https://www.wsj.com/articles/congress-raise-debt-limit-ceiling-yellen-treasury-brinkmanship-federal-budget-11632069056>, Yellen said that the crisis triggered by a default would compound the damage from the continuing coronavirus pandemic, roiling markets and plunging the U.S. economy back into recession at the cost of millions of jobs and a lasting hike in interest rates.

"We would emerge from this crisis a permanently weaker nation," Yellen said, noting that U.S. creditworthiness has been a strategic advantage.

Yellen did not offer a new timeline for a possible default, but described economic damage that would fall on consumers through higher borrowing costs and lower asset prices.

She has said previously that a default could come during October when the Treasury exhausts its cash reserves and extraordinary borrowing capacity under the \$28.4 trillion debt limit.

"We can borrow more cheaply than almost any other country, and defaulting would jeopardize this enviable fiscal position. It would also make America a more expensive place to live, as the higher cost of borrowing would fall on consumers," Yellen wrote. "Mortgage payments, car loans, credit card bills—everything that is purchased with credit would be costlier after default."

Republicans have refused to support raising or suspending the \$28.4 billion. U.S. Senator Bill Cassidy from Louisiana said earlier on NBC's "Meet the Press" program that Democrats want to increase the borrowing cap to fund trillions of dollars in "Democratic wish list" spending.

Yellen argued the debt ceiling is about paying for past spending obligations, and said waiting too long to lift the debt ceiling can still cause damage, citing a 2011 debt ceiling crisis that pushed the federal government to the brink of default that prompted a credit rating downgrade.

“This led to financial-market disruptions that persisted for months. Time is money here, potentially billions of dollars. Neither delay nor default is tolerable.”

House of Representatives Speaker Nancy Pelosi, in a statement, cited Yellen’s past remarks on the issue and noted that Congress addressed the debt ceiling on a bipartisan basis three times during the Trump administration.

“When we take up the debt limit this month, we expect it to be bipartisan once more,” Pelosi said.

Still, House Majority Whip Jim Clyburn on Sunday that Democrats may have to pass the debt ceiling hike without Republican support.

“I think we ought to do what’s necessary and message to the American people exactly who is trying to destroy this great democracy that we hope to keep in place,” he told CNN.

(Reporting by David Lawder and David Shepardson; Additional reporting by Phil Stewart; Editing by Diane Craft and Daniel Wallis)

Source:

<https://www.yahoo.com/news/u-treasurys-yellen-debt-default-205823544.html>

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