

Republicans Threaten Debt Limit Default to Force Cuts to Economic Security Programs

Republican leaders have made clear their plans to use debt ceiling negotiations to force cuts to Social Security and Medicare if they gain control of the House. Breaching the debt ceiling—or even threatening to breach the debt ceiling—could have catastrophic effects on the economy.

Although the U.S. has recovered more than all the jobs lost during the pandemic, families are still feeling the pain of global inflation and Republican debt-limit brinksmanship would add to that pain. A debt-limit breach would make the government unable to fulfill its financial obligations, cutting off Medicare payments to health care providers, halting pay for military service members and freezing Social Security payments to seniors.

Breaching the debt limit could cause a default on federal debt, likely creating a crisis on par with the 2008 financial crisis. By threatening a debt ceiling fight, Republicans are laying the groundwork for widespread economic instability and higher costs for seniors and families.

Defaulting on federal debt would cause an economic catastrophe at a time when families are feeling the pain of global inflation and the economic recovery is ongoing. Moody's Analytics economist Mark Zandi [predicted](#) last year that a default on U.S. debt obligations would trigger a global market panic on the scale of the 2008 financial crisis, which could result in a loss of nearly six million jobs, an unemployment rate of nearly 9%, the elimination of \$15 trillion in household wealth and a decline in real GDP of almost 4%.

A debt limit breach would make it impossible for the federal government to continue expected payments to the military, veterans and seniors. Once the United States reaches the debt limit, the Treasury would only be able to [pay debts](#) using existing funds and revenue as it comes in. The majority of [federal spending](#) pays for the military, Social Security and health programs such as Medicare and Medicaid. Incoming tax revenue would not be sufficient to fund on-going payments to support the military, veterans and seniors, maintain other government programs and service existing debt.

Raising the debt limit in a timely manner is about meeting existing obligations and is the only option to avoid economic chaos. The effects of failing to raise the debt limit would likely be felt economy wide: From drastically increased costs for mortgages, credit card payments and other borrowing, to halted payments for Social Security recipients, veterans, service members, hospitals and civil servants, to far-reaching effects in the financial system, the costs could be severe and long-lasting. As the 2011 debt ceiling crisis shows, even narrowly avoiding a default costs the country billions of dollars.

Republicans are Threatening to Tank the Economy if They Don't Get Their Way on Gutting Social Security and Medicare

Republicans in Congress have indicated they will let the U.S. breach the debt limit if they do not get their way on cutting essential programs like Social Security and Medicare. House Republican leaders, including Minority Leader Kevin McCarthy, have clarified their intent to [use](#) next year's debt-limit deadline to demand policy concessions, while [signaling](#) that Social Security and Medicare cuts will be on the table. Their agenda, outlined in the Republican-issued [budget](#), would cut benefits and raise the eligibility age for Social Security and Medicare. These programs are essential to the financial security of U.S. seniors and to overall economic growth and stability.

Republicans' talk of "reform" masks their intent to cut benefits and raise the retirement age. Their detailed plans make clear that they will put Social Security, Medicare and veterans' benefits in peril. House Republicans' [budget](#) proposes [significant cuts](#) to Social Security and Medicare, while forcing Americans to work longer to meet full retirement age. The budget also proposes ending Medicare as we know it and replacing it with an inadequate voucher system for seniors. Similarly, Sen. Rick Scott, the leader of the Senate Republicans' campaign arm, wants to put Social Security, Medicare and veterans' benefits [on the chopping block](#) every five years unless Congress votes to reauthorize them. Putting these vital programs in jeopardy would also hurt local economies that rely on the consistent source of income these federal programs provide for seniors, their families and healthcare providers.