Remarks by Secretary of the Treasury Janet L. Yellen to CEOs and Business Leaders at the White House on Debt Limit

October 6, 2021

As prepared for delivery

I want to thank business and community leaders for joining us here today. I wish we could be meeting to discuss another topic, like finding solutions to climate change or how to better invest in the future of our economy. But the urgency of the debt limit situation demands immediate attention.

I want to be clear about my position. First, this is an urgent matter which must be resolved immediately. Treasury is on the cusp of exhausting its extraordinary measures if Congress has not acted to raise or suspend the debt limit by October 18th. After that point, we expect Treasury would be left with very limited cash that would be depleted quickly. As we’ve seen in the past and as this group knows, even delaying action can cause harm to businesses and consumer confidence, raise borrowing costs, disrupt financial markets and cause a downgrade of the U.S. credit rating.

Second, let me be clear that this would be a catastrophic outcome, and this catastrophe would occur on two dimensions. The first relates to the financial system and macroeconomy. If Congress does not address the debt limit, Treasury’s cash balance will reach an insufficient level to pay the nation’s bills. America would default for the first time in history.

Default would call into question the full faith and credit of the United States. Our country would likely face a financial crisis, causing interest rates to rise quickly and restricting access to credit. Our fragile recovery would be thrown into reverse and we would likely be in recession. Millions of jobs would be lost, and the pain would endure well past the resolution of the crisis.

The second catastrophic outcome would be borne by Americans who directly receive any sort of payment from the federal government. Every Social Security beneficiary, every family receiving a Child Tax Credit, every military family waiting for a paycheck or small business owners receiving a federal loan would be at risk. Millions are without sufficient savings to
forego an expected check, and for these households and businesses the impact would be devastating. To take one heartbreaking example, millions of seniors who depend on Social Security for their livelihood would have to make awful choices, such as deciding between whether to pay rent or buy groceries. The same goes for parents of young kids expecting a Child Tax Credit payment.

Hopefully it goes without saying, this is not only bad for people—it’s equally as devastating for American companies. For decades, our country has earned a reputation for being a welcoming and reliable place to do business. We respect the rule of law and honor our debts.

This reputation has benefitted us in many ways, including the ability to keep interest rates low and for the dollar to serve as the world’s reserve currency. Ultimately, these benefits have helped us lead in the world economy and become a more prosperous nation.

And yet, today, we are staring into a catastrophe in which we surrender this hard-earned reputation, and force the American people, and American industry, to accept all the pain, turmoil, and hardship that comes with default. It is unnecessary and must be avoided at all costs. Congress must address the debt limit immediately.

Thank you, and I look forward to a productive conversation about this critical topic.