

MEMORANDUM

To: Interested Parties
From: Brian Deese and Shalanda Young
Date: January 30, 2023
Re: Meeting Between President Biden and Speaker McCarthy

At Wednesday's meeting, President Biden will pose two questions to Speaker McCarthy:

- Will the Speaker commit to the bedrock principle that the United States will never default on its financial obligations, as Leaders Schumer, McConnell, and Jeffries have already done – and does he agree with former presidents, including Presidents Trump and Reagan, that it is critical to avoid debt limit brinksmanship?
- When will Speaker McCarthy and House Republicans release their Budget? President Biden will release a budget on March 9. It is essential that Speaker McCarthy likewise commit to releasing a budget, so that the American people can see how House Republicans plan to reduce the deficit – whether through Social Security cuts; cuts to Medicare, Medicaid, and Affordable Care Act (ACA) health coverage; and/or cuts to research, education, and public safety – as well as how much their Budget will add to the deficit with tax cuts for the wealthiest Americans and large corporations, as in their first bill this year.

Commitment that the United States Will Not Default

As the President has said many times, the United States must never default on its financial obligations. Raising the debt ceiling is not a negotiation; it is an obligation of this country and its leaders to avoid economic chaos.

Speaker McCarthy's unwillingness to-date to taking the threat of default off the table makes him an outlier, including among current and former leaders of his own party. For example:

- Leader McConnell said earlier this [month](#): "America must never default on its debt. It never has, and it never will."
- President Trump said in [2019](#), he "can't imagine anybody ever even thinking of using the debt ceiling as a negotiating wedge ... I certainly understand the highest rated credit ever in history... That's a sacred element of our country."
- In a [1987](#) radio address, President Reagan said that debt ceiling "brinksmanship threatens the holders of government bonds and those who rely on Social Security and veterans benefits ... The United States has a special responsibility to itself and the world to meet

its obligations. It means we have a well-earned reputation for reliability and credibility – two things that set us apart in much of the world.”

In addition to President Biden, Leaders [Schumer](#) and [Jeffries](#) agree.

In Wednesday’s meeting, President Biden will seek a clear commitment from Speaker McCarthy that default – as well as proposals from members of his Caucus for [default by another name](#) – is unacceptable. President Biden will ask Speaker McCarthy to publicly assure the American people and the rest of the world that the United States will, as always, honor all of its financial obligations.

House Republicans’ Fiscal Plan

On March 9, President Biden will release his budget. The budget will show how the President plans to invest in America, continue to lower costs for families, protect and strengthen Social Security and Medicare, and reduce the deficit – with tables and numbers showing exactly how his economic and fiscal policies add up to achieve these goals.

Speaker McCarthy has said that reducing the deficit is a top priority for him and his Caucus. So far, however, House Republicans have offered up detailed plans to **increase** the deficit with tax policies that would benefit the wealthiest Americans. As shown below, in seeking their majority this fall and during the first few weeks of holding it, House Republicans have already voted on, supported, or proposed numerous ideas that would increase the deficit by trillions of dollars over the next decade.

Policy	10-Year Deficit Increase
House-passed bill to make it easier for billionaires to cheat on their taxes	\$114 billion
Proposals to repeal Inflation Reduction Act’s prescription drug savings, which will money for seniors and for Medicare	\$159 billion
Proposals to extend the Trump tax cuts: an average tax cut of \$175,000 for the top 0.1%	\$2.7 trillion
Proposals to repeal the Inflation Reduction Act’s 15% minimum tax on corporations with profits over \$1 billion	\$222 billion
Speaker McCarthy’s secret deal to vote on a bill that would impose a 30% national sales tax, cutting taxes for the wealthiest but raising taxes on the middle-class	Trillions*
*Based on estimates of similar, past proposals	

Given their stated commitment to reducing the deficit, Speaker McCarthy and his Caucus apparently plan to make cuts that greatly exceed these amounts. To understand the impact of cuts of that magnitude, the American people are presently left to look at past House Republican budgets, including last year’s budget from the House Republican Study Committee (which [more than three fourths](#) of last year’s House Republican Caucus belonged to), or track rumors of

[private agreements](#) on deep cuts to the part of the federal budget that funds research, education, law enforcement, border security, and food safety.

House Republican Policy Proposal	Recent Source of Proposal
Raise the Social Security retirement age	2023 House GOP Study Cmte. Budget
Raise the Medicare retirement age	2023 House GOP Study Cmte. Budget & most recent House GOP Budget
Repeal the Affordable Care Act	2023 House GOP Study Cmte. Budget & most recent House GOP Budget
Cut Social Security Disability benefits	2023 House GOP Study Cmte. Budget
Cut Medicaid	2023 House GOP Study Cmte. Budget & most recent House GOP Budget
Cut Pell Grants	2023 House GOP Study Cmte. Budget & most recent House GOP Budget
Cut nutrition assistance for low-income children	2023 House GOP Study Cmte. Budget & most recent House GOP Budget
Cut the part of the budget that funds education, research, law enforcement, and border security by up to 30% immediately	Reported Speaker McCarthy deal made behind closed doors

Any serious conversation about economic and fiscal policy needs to start with a clear understanding of the participants’ goals and proposals. Speaker McCarthy and his Caucus need to transparently lay out to the American people their fiscal and economic proposals in the normal budget process. In fact, Speaker McCarthy [said](#) this weekend: “our very first responsibility” is “to pass a budget.” On Wednesday, President Biden will seek clarity from Speaker McCarthy about when the public can expect to see his detailed, comprehensive budget.