



# Debt Limit Fiasco Aids U.S. Adversaries Around the Globe

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Engaged in high-stakes political drama, Washington's playmakers can forget that the world watches their every move—with our allies looking for leadership and growing concerned that we may no longer have the wherewithal to provide it, and our adversaries savoring our domestic turmoil.

Nothing better makes the point than our standoff over the debt limit, which policymakers must raise in the coming weeks so the Treasury can pay its bills on time (interest payments on our debt, Social Security benefits, military salaries, and so on) and avoid a first-ever, potentially catastrophic federal default.

Yes, the financial and political stakes at home are huge. A default could send markets plunging, interest rates skyrocketing, and a shaky economy reeling. President Biden wants a no-strings-attached debt limit increase; Republicans insist on deep spending cuts and social policy changes in return. A default would leave each side to blame the other for the wreckage.

But as each side seeks advantage within an insulated Washington, consider the view from abroad, whether among our mortified allies in London, Paris, and Berlin or, better yet, among our adversaries in Beijing, Moscow, and Tehran—the autocratic regimes that are growing closer, attacking U.S. interests, and promoting their systems of governance over U.S.-led freedom and democracy.

This is no new story; it's a variation on a theme. During the Cold War, Moscow tracked, publicized, and denounced ugly incidents of racial violence across America, particularly with non-aligned nations of color, and argued that Soviet-led communism would nourish an oasis of racial stability and goodwill. They did the same with stories about poverty, homelessness, and other U.S. afflictions.

Today, Beijing's Xi Jinping, Moscow's Vladimir Putin, and Tehran's Ali Khamenei express deep contempt for freedom and democracy and—in the aftermath of Afghanistan and Iraq and with our politics increasingly dysfunctional—argue that America is in decline and authoritarianism is the wave of the future. They're making that case as they seek to make inroads across their regions and beyond.

Here's a question: why are we helping them do so?

Most policymakers recognize that we must raise the debt limit to avoid a catastrophe, and that that would merely enable the Treasury to pay the bills that have come due from prior spending increases and tax cuts. It's akin to a family deciding to pay its credit card bill on time. A debt limit increase would not, despite contentions to the contrary, give Washington a green light to rack up more debt.

In the world of policymaking, good intentions are sometimes inadequate to ensure good decisions. The Treasury Department says it may need a debt limit increase by June 1 or shortly thereafter, the two sides are locked into what are now irreconcilable positions, and there's no guarantee that they'll reach a deal on time that will enable both to declare victory. Savvy observers of our debt limit fights of recent decades seem to agree that we're closer to a default than ever before.

Consider the implications of a default for U.S. global leadership.

No longer would investors necessarily view U.S. Treasury securities as the world's safest investment. That would not only raise U.S. borrowing costs but also threaten the status of the dollar as the world's reserve currency. That, in turn, could reduce the power of sanctions, a key tool in our foreign policy that Washington often deploys to pressure bad actors.

Beijing, Moscow, Tehran, and their ilk—all of which have been subject to U.S. sanctions over the years—would like nothing more than for Washington to weaken itself and, as a result, strengthen them.

Overnight, we'd join the ranks of such nations that have defaulted as Russia, Argentina, Ecuador, Lebanon, Ukraine, Venezuela, Greece, Spain, and Italy. That's not a list that the world's most powerful nation should want to join.

Washington, however, need not descend into default to suffer the global consequences of our current drama. We are giving our adversaries all the ammunition they need to make their case about the chaos of U.S. freedom and democracy and the relative stability of their authoritarian systems.

At a time when Washington is fighting a war of ideas around the world with Beijing, Moscow, and Tehran, defending freedom and democracy while they denounce it and promote their own alternatives, our game of chicken with the nation's full faith and credit amounts to geopolitical suicide.

It's an effect of the debt limit standoff that's attracting the least attention—and that could prove at least as serious as the others.

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