

# Biden, McCarthy Strike Debt Limit Deal to Avert Default

May 28, 2023 **by Dan McCue**



House Speaker Kevin McCarthy of Calif., speaks during a news conference after President Joe Biden and McCarthy reached an "agreement in principle" to resolve the looming debt crisis on Saturday, May 27, 2023, on Capitol Hill in Washington. Rep. Patrick McHenry, R-N.C., right, and Rep. Garret Graves, R-La., left, listen. (AP Photo/Patrick Semansky)

WASHINGTON — President Joe Biden and House Speaker Kevin McCarthy reached a deal in principle Saturday night to raise the nation's debt limit for two years while cutting and capping some federal spending — appearing, for now, to have averted the first default in U.S. history.

While that's good news for the many who went into their Memorial Day weekend with an anxious feeling in the pit of their stomach, the tentative deal must now pass the House and the Senate and be sent to the president for his signature before June

5, and that won't be easy given the extreme nature of the current partisan divide in Congress.

The House plans to consider the agreement on Wednesday.

Word of the agreement came a day after Treasury Secretary Janet Yellen **warned** lawmakers her department would likely run out of money and default on U.S. debt payments on June 5 without congressional action.

Federal Budget hawks and economists have been warning for months that if the showdown between Congress and the White House ended without a timely deal, a significant recession in the U.S. and a global financial crisis would likely follow.

In a statement released by the White House at 10 p.m. Saturday night, Biden called the deal “an important step forward that reduces spending while protecting critical programs for working people and growing the economy for everyone.”

The final outlines of the agreement were worked out in a phone call between the president and McCarthy Saturday evening.

Though specific details were sparse Sunday morning, the deal includes suspending the debt limit, which currently stands at \$31.4 trillion, for two years — taking another possible debt dispute past the next presidential election — while capping government spending in some areas over the same period.

[Note: This article has been updated. As of Sunday evening, the final text of what is now being called the Fiscal Responsibility Act can be read [here](#).]

Funding for defense and Veterans' programs will continue to grow, and most domestic programs will be spared the deep, deep cuts that many conservative Republicans on the Hill were seeking.

It also appears that McCarthy did secure a promise to impose new work requirements on some forms of government aid, including food stamps and the Temporary Assistance for Needy Families program.

At the same time, however, there is an agreement in principle to expand food stamp access for Veterans and homeless individuals.

If true, it would mean that going forward, the president would have to find budget savings to offset the costs of any unilateral action he takes through executive order.

The proposed deal also includes two provisions apparently agreed to very early in the negotiating process — clawing back some of the unspent money that had been allocated for pandemic relief — and reducing the amount of new enforcement funding for the Internal Revenue Service.

The government had previously expected to allocate \$80 billion to tracking down and prosecuting tax cheats, but that number has now been reduced to \$70 billion.

In a brief appearance outside his Capitol office last night, McCarthy said the tentative agreement includes “historic reductions in spending, consequential reforms that will lift people out of poverty into the workforce, rein in government overreach.”

He also stressed that it would raise no new taxes.

But like the president, McCarthy offered few real details, telling reporters to stay tuned and that legislative text would be released sometime Sunday.

In an appearance on the “Fox News Sunday” program, McCarthy was a bit more verbose, describing the proposed agreement as “a

step in the right direction.

“In the negotiations, Republicans fought for and achieved the most consequential work requirements in a generation,” he said, adding “this is a win for taxpayers. “We are no longer going to borrow money from China to pay a work-capable adult without any dependents to sit at home on their couch.”

It’s now up to McCarthy, and House Democratic Leader Hakeem Jeffries, D-N.Y., to rally a majority of their members to support the proposal, and quell dissent, respectively, from angry conservatives and progressives, who wanted more for each of their sides.

In a bid, no doubt, to help Jeffries with his task, Biden said last night that while the agreement represents a compromise, “which means not everyone gets what they want. That’s the responsibility of governing.”

He did, however, note that “the agreement protects my and Congressional Democrats’ key priorities and legislative accomplishments.

“And, this agreement is good news for the American people, because it prevents what could have been a catastrophic default and would have led to an economic recession, retirement accounts devastated, and millions of jobs lost,” the president continued.

“Over the next day, our negotiating teams will finalize legislative text and the agreement will go to the United States House and Senate. I strongly urge both chambers to pass the agreement right away,” Biden concluded.

In an early sign of support on the Democratic side, New Democrat Coalition Chair Annie Kuster, D-N.H., said Sunday,

“Our Members are encouraged that the two sides have reached an agreement, and are confident that President Biden and White House negotiators have delivered a viable, bipartisan solution to end this crisis.

“We are doing our due diligence as lawmakers to ensure that this agreement can receive support from both parties in both chambers of Congress,” Kuster continued.

“We want to be clear — our Members are committed to upholding the full faith and credit of the United States. We must act responsibly to ensure that we prevent the catastrophic consequences of default and protect the needs of the most vulnerable in our society,” she added.

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