



America's independent, non-partisan advocate for
overburdened taxpayers.

February 10, 2011

**An Open Letter to the United States House of Representatives:
Support the Full Faith and Credit Act!**

Dear Representative:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I write in strong support of H.R. 421, Congressman McClintock's (R-CA) "Full Faith and Credit Act." This vital legislation would eliminate the potential of a default on U.S. debt obligations and ensure stability in financial markets should Congress not raise the debt ceiling.

The Full Faith and Credit Act would simply require the Treasury Department to make payments on the debt the highest priority in case the \$14.3 trillion statutory limit is not raised. This would allow the federal government to use its substantial cash flow to ensure that creditors are paid in full and on time. Although experts differ on the practical impact of an impasse over the debt ceiling, the threat (whether merely political or more substantive) of squandering the full faith and credit of the United States should not loom over Congressional negotiations on spending reductions. Congressman McClintock's bill provides a necessary fail-safe in case of a breakdown in those discussions.

Because the federal government has income over 10 times greater than debt service costs, the only way a default would occur is if the Treasury Department chooses not to pay debt obligations first (or second, or third, or even fourth). By codifying into law the requirement that the Treasury use its ample resources to maintain our debt, this bill takes default off the table. Furthermore, payment prioritization as envisioned in this legislation is not some sort of obscure fantasy; the Treasury Department took similar measures on four separate occasions from 1985 to 2003. The federal government did not default on its debt and markets did not look at it as "default by another name," as Secretary Geithner claims.

As a measure of just how far we've strayed from our nation's founding traditions on borrowing, it is illustrative to note that prior to 1917, Congress actually had to separately approve each issuance of debt, including the maturity date and interest rate. With the passage of the Second Liberty Bond Act, Congress established a statutory limit on federal debt and granted the U.S. Treasury the authority to conduct auctions underneath that ceiling. Unfortunately, the debt ceiling mechanism has ceased to provide the kind of meaningful restraint on Congress' spending habits that was clearly intended.

To prevent default and aid in negotiations to reduce unsustainable federal spending, we urge you to co-sponsor and support H.R. 421, the Full Faith and Credit

Act. Any roll call votes on this legislation will be **significantly weighted** in NTU's annual Rating of Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Moylan", is centered within a white rectangular box.

Andrew Moylan
Vice President of Government Affairs