



Written by [Bob Adelman](#) on October 16, 2013

## Fitch Threatens Downgrade; Boehner to Surrender

Despite mounting evidence that the government will have more than enough money to pay its essential bills and that the real national debt is \$70 trillion, not \$17 trillion, and despite pressure from Tea Partiers and constitutionalists to resist, House Speaker John Boehner is likely to bring the Senate bill to a vote in the House where, if House Minority Leader Nancy Pelosi is right, it will pass with overwhelming Democratic support.



If CNN is right, the fight over defunding ObamaCare will be a footnote in history, the debt ceiling will be raised by enough to avoid any threat of default, and government spending will be allowed to continue at its present pace at least into early next year.

Said CNN, "In political terms, the final agreement [by the Senate] was almost entirely along lines Obama had set when the impasse began last month." The only part of ObamaCare that was modified was a slight tightening of income requirements to obtain federal credits to help pay for the new national health insurance coverage. And promises to cut government spending in the future were to be handed over to yet unnamed "negotiators" to make recommendations to Congress by the middle of December.

In fine, when Speaker Boehner is forced to bring the Senate bill to the House floor, it will likely pass despite resistance from Tea Partiers and others. There will be enough support from moderate Republicans and staunch Democrats to muster the 218 votes needed.

The surrender by Republicans in the House and Senate came on-at-a-time. Rep. Darrell Issa (R-Calif.) hoped that a change to the bill would at least require that the President, VP, cabinet members and members of Congress and their staffs participate in ObamaCare, but even that went nowhere. By complaining that "If Obamacare is good for members of Congress, then it's good for the president," Issa essentially surrendered to the permanence of Obamacare itself, being no longer willing to argue to defund it altogether.

The [Hastert Rule](#), which says that the speaker of the House will not schedule a floor vote on any bill that does not have majority support of his party — a "majority of the majority" so to speak — is of little use to Boehner. First, it's an "informal" rule, and the speaker may ignore it at any time. Second, Boehner has in fact done just that — four times. Third, Boehner himself has admitted: "It was never a rule to begin with. And [it's] certainly my prerogative [as speaker] ... to pass bills with [or without] strong Republican support."

In this instance, however, efforts to find a way to elicit that majority support have been impossible, thanks to Americanists in the House. But with the announcement by the credit rating agency Fitch that it just put U.S. sovereign debt on its "[Ratings Watch Negative](#)," and with declining support in the polls, Boehner will acquiesce and let the Senate bill come to the House floor intact. The rest will be history.

Once the government's spending spree is allowed to continue, it will then be discovered that the federal government had plenty of money to pay its bills after all. Observers will learn that the government [could](#)



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[have survived nicely](#) on just what it was taking in in tax revenues. As *Forbes'* writer Jeffrey Dorfman pointed out, his proposed spending plan

paid all the interest on the debt, left Social Security, veterans benefits, justice and law enforcement agencies, federal employee pensions, food stamps, and general government functions untouched, continued Medicare and Medicaid with some small cuts, and still spent non-trivial sums of money on education, transportation, and defense...

It will also be discovered, long after the row over government spending and ObamaCare and debt ceilings and all the rest of it has subsided, that the government is in much worse shape than it appears. In August, James Hamilton, an economics professor at the University of California, San Diego, [said](#) that by leaving out "certain unfunded liabilities" from the calculation — such as government loan guarantees, deposit insurance guarantees, Social Security, Medicare, Medicaid, and now ObamaCare — the announced national debt of \$17 trillion is vastly understated. It's closer to \$70 trillion.

Said Hamilton: "The biggest off-balance-sheet liabilities come ... in the form of an aging population and rising medical expenditures."

His estimates are in line with those of David Walker, former U.S. comptroller, who made similar claims last year. Hamilton's estimates are much smaller than those of Boston University economists Laurence Kotlikoff and Scott Burns, who painted a bleak picture that even the Fitch warning does not suggest:

The earthquake will come via a collapse in the market for U.S. government bonds as domestic and foreign investors realize that the only way Uncle Sam can meet his future spending obligations is to print massive quantities of money. The result will be sky-high inflation and interest rates and, most surely, a prolonged reduction in output and employment.

This could happen today. It could happen tomorrow. But it will happen here just as it has happened in every other country that tried to spend far beyond its ability to pay.

All the Obama/Reid/Boehner efforts will succeed in doing is putting off, once again, that day of reckoning. When it comes it will be small comfort to those Tea Partiers and their supporters to learn that they were right after all.

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