

Geithner asks Congress for higher U.S. debt limit

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By David Lawder

WASHINGTON (Reuters) - U.S. Treasury Secretary Timothy Geithner formally requested that Congress raise the \$12.1 trillion statutory debt limit on Friday, saying that it could be breached as early as mid-October.

"It is critically important that Congress act before the limit is reached so that citizens and investors here and around the world can remain confident that the United States will always meet its obligations," Geithner said in a letter to Senate Majority Leader Harry Reid that was obtained by Reuters.

A Treasury spokeswoman declined to comment on the letter.

Treasury officials earlier this week said that the debt limit, last raised in February when the \$787 billion economic stimulus legislation was passed, would be hit sometime in the October-December quarter. Geithner's letter said the breach could be two weeks into that period, just as the 2010 fiscal year is getting underway.

The latest request comes as the Treasury is ramping up borrowing to unprecedented levels to fund stimulus and financial bailout programs and cope with a deep recession that has devastated tax revenues.

It is expected to issue net new debt of as much as \$2 trillion in the 2009 fiscal year ended September 30 and up to \$1.6 trillion in the 2010 fiscal year, according to bond dealer forecasts.

The request to increase the debt limit will likely raise the ire of Republicans who have accused President Barack Obama of runaway spending. They may try to hold up the legislation in effort to win concessions on Obama's health care reform plan.

Geithner urged Reid to not let politics hamper U.S. credit-worthiness and said he looked forward to working with the Nevada Democrat to secure enactment of legislation on the debt limit as early as possible.

"Congress has never failed to raise the debt limit when necessary. Because members of both parties have long recognized the need to keep politics away from this issue, these actions have traditionally received bipartisan support," he wrote. "This is clearly a moment in our history that calls for continuation of that tradition."

(Reporting by David Lawder; editing by Carol Bishopric)

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