The Courier (Findlay, Ohio)

Concerning the debt ceiling

By: Ryan Essinger Findlay – October 21, 2013

In response to Mr. Koontz (letter, Oct. 16): first, raising the debt ceiling does not increase spending. It only serves to facilitate the payment of previously approved expenditures, allowing us to borrow to pay off debts to countries, corporations, and citizens.

While not constituting a full default, failing to raise the ceiling would have significant consequences. We would have to pick between which legally-binding debts to pay off, with the executive making the final choices and postponing the others until the ceiling is raised. This reduction in the government's ability to spend would result in a huge cut (think one-third) in total government spending, making the sequester and shutdown look trivial.

Imagine the fallout from that sudden/drastic a reduction (hint: not actually a tea party paradise). Our credit rating as a nation would suffer as potential lenders would question our trustworthiness. Even the Cato Institute, a libertarian think-tank, has warned that such an outcome would "certainly hurt," in what most non-tea partiers would probably consider a grand understatement.

Second, our government does not simply print more money to pay off our debt. We have not had issues with inflation in the United States for 30 years, and our current rate is a paltry 1.75 percent.

For the last five years, the fed has followed "easy money" policies to reduce interest rates to make borrowing easier and stimulate growth. This is different than literally printing money and has led to no significant inflation.

Third, you should probably look at worldwide factors to explain gas prices.

During the '00s, fuel demand skyrocketed worldwide, particularly in Asia. War and saber-rattling throughout the Middle East, North Korean threats, and natural disasters all drove up prices.

Finally, there was a possible price bubble caused by commodities speculation only popped by the economic crisis.

Fourth, in no way is the dollar pegged to oil. It is a fiat currency, meaning that it's worth what it is because the government says so, not from any tangible backing. Instead, it's held afloat by trust in its issuing government's stability and solvency (another reason to continue paying our bills).