

CITY A.M.

As the US moves closer to its debt ceiling, will Congress act to avoid government shutdown?

Tad DeHaven
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The debt ceiling will be raised and the US will not default on its debt obligations. However, when the debt ceiling will be raised, and whether an increase will come with a substantive change in policy, remains uncertain. The Obama administration has said it will not negotiate with congressional Republicans over raising the debt limit. But that stance is likely to change. For one, past Congresses and administrations negotiated over raising the debt ceiling on numerous occasions. For another, congressional Republicans have no choice but to force the issue, given that their voting base is about to come away disappointed that the party was unable to use the possibility of a government shutdown to defund or delay Obamacare. The Republicans will at least press the administration to accept reforms to entitlement programmes, which are the long-run threat to the nation's financial well-being. Regardless of any deal's terms, future battles over raising the debt ceiling are inevitable.