



## More on the debt ceiling

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October 16, 2013

As I type this, leaders in the U.S. Senate are apparently ratcheting back a foot to kick the shutdown/debt ceiling/Obamacare can down the road a few months because, of course.

You may have seen this piece we ran over the weekend, which quotes a range of experts on government spending/debt issues. I'll add a bit more here from those conversations. First: very brief bios for those quoted:

- Jared Bernstein, former member of President Barack Obama's economic team and a senior fellow at the Center on Budget and Policy Priorities.
- Loren Adler, research director with the Committee for a Responsible Federal Budget, which is associated with Erskine Bowles' Fix the Debt group.
- Tad DeHaven, former fiscal policy adviser to Republican politicians and a budget analyst at the Cato Institute, a Libertarian think tank.

### **Q: Are we paying off the principal at all right now on our national debt?**

ADLER: No. Not at all. In the late 90's we did that.

DEHAVEN: Well, you pay it, but basically you have turnover. Your outstanding debt gets paid off, but it gets, basically, re-issued. The other thing is interest rates have been historically low. What happens if interest rates go back up? Then all those 10-year projections that congress lives off of go up in smoke.

### **Q: We just did the sequester, so why is the debt still going up? What costs are increasing?**

BERNSTEIN: Our spending is greater than our revenues right now. It would be arbitrary to say which particular spending is putting us over the top.

ADLER: The real issues right now are entitlements. The sequester just addressed our annual appropriated spending, which really wasn't even growing that fast. The problem is increasing health costs, particularly with an aging population, and Social Security costs.

DEHAVEN: Sequestration really only affects discretionary spending. Most government spending is mandatory, and that includes interest.

**Q: At the heart, this is all just robbing peter to pay paul, right? We want to raise the limit to borrow more money to pay back what we already borrowed?**

DEHAVEN: Yeah. The debt limit itself - these are bills you've already racked up. Raising the debt limit doesn't really allow you to make new spending programs.

BERNSTEIN: It's not really the way I look at it. Basically, think of the government as having three lines of expenditure: discretionary programs that they decide funding for every year, mandatory programs (such as social security), and interest on the debt. To me it's somewhat arbitrary to say that the reason we need to borrow more is to pay interest on the debt. The reason we need to borrow more is the total of those three is greater than our revenues.