

Experts weigh in on debt ceiling issue

By Travis Fain

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GREENSBORO — Folks, this debt ceiling stuff is wild.

Forget for a moment that we're talking about a political game of chicken.

Ignore the question of whether raising the debt ceiling could ransack the economy — a matter open to partisan interpretation.

Let's talk about what the debt ceiling is: an arbitrary limit on how much debt the U.S. government can take on. Not how much it can spend. How much it can borrow to pay for spending and to repay past loans.

The ceiling is \$16.7 trillion, roughly the same as the national debt. The United States owes about \$12 trillion of that to bond holders, foreign and domestic. We borrowed the rest from various government funds, the biggest portion from Social Security.

The plan is to repay the money with interest.

So what happens on Thursday is a bit of a mystery. That's when the U.S. Department of the Treasury says it will lose its ability to manage our debt near the ceiling.

With this in mind, the News & Record talked to three experts on the debt ceiling:

- 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.

The questions and the experts' answers were edited for space.

N&R: Convince me that the whole concept of a debt ceiling isn't stupid?

Bernstein: I can't. In fact, I'd say it's worse than stupid. I'd say it's quite damaging. Most people, including my very smart 14-year-old daughter, thought it was just a blank check. You're giving Congress the permission to just spend like drunken sailors. In fact, the borrowing that's taking place is simply to meet obligations that they've already agreed to.

Adler: It's certainly a fair question. It's not quite true that it has never impacted its stated goal. There have been a number of deficit agreements that have been negotiated around, or at least have been attached to the debt ceiling. The 1990 Budget Enforcement Act led to the balanced budgets of the '90s. At times, it has caused us to focus on our fiscal situation and really make positive progress.

DeHaven: I think the politics that are involved are stupid. That we've put the economy — the world economy — at the feet of 535 human beings is stupid. But the debt ceiling has been around for about 90 years now. It has not been uncommon for it to be used to have a conversation about debt.

N&R: It's not really a default if we hit Oct. 17, right?

Bernstein: Once we fail to make a payment, which we are obligated to make, we're defaulting. Paying the interest is not enough. I think this prioritization idea is just bunk and a phony escape hatch. Once you stop paying people money you owe them, that's a default.

Adler: We still do have \$30 billion left in the bank at that point. We do have enough incoming revenues to make interest payments. The flip side of that is almost-definite chaos.

DeHaven: Well, we're going to be getting into uncharted territory. Obviously, money's still coming into the government, but the government spends a lot more money than it takes in. Even if it gets that far, it's more the psychology that's a problem than any sort of technical default. That negative reaction would be sufficient to bring this whole thing to an abrupt end.

N&R: What can we do? We've got to stop doing it this way, right?

Bernstein: Right. But that's not a simple question. One problem we have is that leadership is unable to control its troops. I'm talking about House Republicans in this case. That has to do with gerrymandering, it has to do with different types of money in politics, and it has to do with moderates who are hiding under rocks.

Adler: Folks are going to have to do some sort of temporary extension and try to work on a bigger deal that gets you some longer-term tax and entitlement reform that, at the same time, changes the ceiling itself. You could index the debt ceiling so it grows with the economy.

DeHaven: At the end of the day, Washington is in large part a reflection of the country. Even people who say, "We need to cut spending," also say, "Just don't touch my Medicare. Don't touch my Social Security." We need to stop the terrorists, so we have a military that would make a Roman emperor blush. There's this disconnect from reality that the average American has, and that's understandable because the federal government has become so vast.

