



Tanner looks ahead to the next debt-limit fight

POSTED ON MARCH 7, 2012 AT 9:25 AM, BY [MITCH KOKAI](#)

[Michael Tanner](#) of the Cato Institute [suggests](#) to National Review Online readers that we're likely to see another battle over the federal debt limit sooner than we expected.

Last summer's agreement, you will recall, raised the federal government's debt limit from \$15.194 trillion to \$16.394 trillion in exchange for promised future reductions in spending. Until recently, the consensus has been that federal borrowing will bump up against the new limit sometime between late November of this year and early January 2013.

But buried in President Obama's 2013 budget was the news that the national debt will hit \$16.334 trillion by the end of fiscal year 2012, or September 30, 2012. This is just \$60 billion below the current debt limit. Since the federal government is continuing to borrow at a rate of over \$130 billion a month, we will likely reach the debt ceiling by mid-October — before Election Day.

From a budgeting perspective, there will not be an immediate crisis. The Treasury Department could, if it chooses, employ "extraordinary measures" to enable the government to keep paying its bills until well after the elections. Despite their name, these measures are not all that "extraordinary," involving such things as delaying contributions to the civil-service pension fund or suspending sales of certain nonessential securities. In fact, the Treasury used such measures last year from May until the final debt agreement in August, and no one really noticed.

But as a political matter, it will be a very different matter.

Suppose that instead of using such measures to push off the day of reckoning until after the election, President Obama threatens default. Suppose he insists on a tax increase as part of any deal to raise the debt ceiling, and threatens international economic chaos and a collapsing stock market if Republicans fail to go along. Can Republicans really be trusted to fight for spending cuts instead, just weeks before the election?