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3 Reasons Why GOP Will Lose Debt-Limit Fight

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By **Cato Institute** on Jul 13, 2011

By *Daniel Mitchell*

There are three reasons why I'm not very hopeful about the outcome of the debt-limit battle.

1. There is no unity in the GOP camp.

Republicans have been all over the map during this fight. Some of them want a balanced budget amendment. Some want a one-for-one deal of \$2 trillion of spending cuts in exchange for a \$2 trillion increase in the debt limit. Others want some sort of spending cap, akin to [Senator Corker's CAP Act](#). Some want to mix all these ideas together in a

cut-cap-balance package. Others want Obamacare repeal. And the latest proposal is Sen. McConnell's proposal to let Obama unilaterally raise the debt limit.

These are mostly good ideas, but the failure to coalesce around one proposal – preferably one that is easy to understand – has made the Republican position difficult to define, defend, or advance.

2. The fear of demagoguery is high.

[As I explained months ago](#), Fed Chairman Ben Bernanke and Treasury Secretary Tim Geithner are trying to spook financial markets with hyperbolic warnings about a risk of default. This is blatant dishonesty and demagoguery, but Republicans are nervous that this tactic might be successful if there is a high-stakes showdown as the government's borrowing authority runs out.

For those with short memories, this is what happened with TARP back in 2008. The initial bailout proposal was rejected, leading to short-run market gyrations, and many Republicans panicked and switched their votes to yes.

3. Republicans don't control the Senate or the White House.

I'm stating the obvious, of course, but people seem to forget that any debt limit increase will need to get through the Senate and get signed by Obama.

Imagine you are Harry Reid or Barack Obama. Is there any reason why you would acquiesce to Republican demands? Yes, you need to at least pretend to care about big government, wasteful spending, and red ink, but why not hold firm and then strike a deal based on make-believe spending cuts? That's exactly [what happened during the "government-shutdown" debate](#) earlier this year.

This post, incidentally, is not an attack on Republicans. I'm [very willing to attack GOPers](#) when they do the wrong thing, but I'm not sure they deserve to get hammered in this case.

Simply stated, I don't think there's a winning strategy, so I don't see any point in going nuclear.

If nothing else, at least Republicans resisted the [siren song of tax increases](#), which is not a trivial achievement since Democrats clearly were hoping to trick GOPers into giving up one of their strongest political positions.

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