
NATIONAL REVIEW ONLINE

MARCH 7, 2012 12:00 A.M.

Hitting the Ceiling

Will the GOP have credibility in this fall's budget showdown?

By Michael Tanner

If you liked last year's battle over raising the [debt ceiling](#), just get ready for the fight to come.

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?

And regardless of what happens before the election, another fight over the debt ceiling will be coming shortly thereafter. Every Republican candidate will have to go on record about whether or not they would raise the debt ceiling and what concessions they would demand.

Republicans, of course, will have a good argument to make about how the president's spending has driven up the debt. The fact that a \$1.2 trillion increase in the debt ceiling barely lasted a year could be powerful. But Republicans would have a better time making this argument if they were actually doing something to reduce spending. After all, despite all the *sturm und drang* about spending cuts as part of last year's debt-ceiling deal, federal spending not only increased from 2011 to 2012, it rose faster than inflation and population growth combined.

And Republicans continue to talk about undoing the sequester that is responsible for more than half the projected [savings](#) to come out of the 2011 deal. In particular, Republicans want to undo cuts to the defense budget, and may be willing to give up domestic-spending cuts in exchange.

Meanwhile, what of Mitt Romney, the presumptive Republican nominee after last night's primaries? Can anyone think of a single major [spending program](#) that Romney would eliminate? (Cutting funding to Planned Parenthood doesn't count, especially given the way Republicans mishandled the contraceptive-mandate debate).

President Obama's reckless spending could be a godsend to Republicans. It was, after all, debt and spending that energized the Tea Party and led to the 2010 election wave. Not only is it an issue that unites all factions of the Republican base, it is also of importance to independents and suburbanites, including those suburban women who have been turned off by the Republican-primary debate.

But if Republicans don't want to be blindsided by President Obama come October, they need to start preparing for this debate now.

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