



Debt-ceiling fight: Congress' next big test

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If you thought the recent fight over health-care reform was fun, get ready for the next big Washington circus: raising the debt ceiling.

In October of 2015, Congress chose to avoid the usual fight over setting a symbolic debt target by agreeing to waive any limit on the debt for 17 months, until March of this year. For the past few months, the Treasury Department has engaged in what it calls “extraordinary measures” to extend the deadline through the end of September. By that time, the U.S. national debt will officially exceed \$20 trillion.

As is almost always the case, the big fight will be over whether or not to pass a “clean” increase in the debt ceiling — i.e., one without any amendments.

A bill to raise the debt ceiling will require 60 votes in the Senate, effectively giving Democrats veto power over any Republican proposal. If Republicans added a provision supporting Mom, the flag, and apple pie, Democrats could be counted on to oppose it unanimously. Indeed, many Democrats are expected to back a proposal by Senator Brian Schatz of Hawaii to abolish the debt limit altogether.

Yet, many Republicans see this as one of their few opportunities for budget leverage. Wisconsin senator Ron Johnson is typical in warning, “I’ve been raising the issue of the debt ceiling for months now, and certainly what I’d like to see is some meaningful, structural control enacted in conjunction with increasing (the debt limit).”

House Republicans are expected to take an even harder line against any bill that raises the debt ceiling without making an attempt to rein in future spending. Just this week, Rep. Tom Cole of Oklahoma, never considered a firebrand, said that he could not see any scenario in which the House agrees to raise the debt ceiling without accompanying spending cuts.

Meanwhile, the conservative House Freedom Caucus is backing a number of separate proposals, ranging from as much as \$50 billion in spending cuts to a demand that the federal government sell property to pay down the debt. Some also want to attach a partial repeal of Obamacare to the bill.

It should come as no surprise that the Trump administration is putting out conflicting signals about what it wants from this fight. Treasury Secretary Steve Mnuchin reportedly prefers a clean bill, as Treasury secretaries have since time immemorial.

Office of Management and Budget director Mick Mulvaney is more ambivalent. He originally wanted spending cuts in exchange for increasing the debt limit, but has recently dropped that demand. He now says that the administration hopes for the “cleanest possible” bill. But he also remains one of the chief proponents of “prioritizing” debt payments, which would allow the federal government to avoid default if the debt negotiations drag on.

All of this will take place against a backdrop of apocalyptic commentary from much of the media and the business community. They will ignore the fact that the federal government actually did briefly default on its debt in 1979, in part as the result of a debt-ceiling impasse under a Democratic-controlled Congress.

Since then, both Democratic and Republican Congresses have missed deadlines to increase the debt ceiling: Once in 1981, a second time in 1985, a third time in 1996, and a fourth time in 2002. In none of those cases did the world end.

Moreover, until fairly recently, it was considered routine to add all sorts of conditions to debt-ceiling legislation. Perhaps the most famous of these provisions was the Gramm-Rudman-Hollings amendment in 1995.

Of course, failure to raise the debt limit would not be a good thing. Financial markets could be expected to react badly. Increased uncertainty would slow economic growth. And we might even see another downgrade of the U.S.’s credit rating. But those consequences pale in comparison to the almost-certain calamity that will result from a failure to get control of runaway federal spending and debt.

In the end, the fight over the debt ceiling will mostly be a question of political theater. An increase in the debt limit will eventually pass. Congress will go on spending money on a bipartisan basis the way it always does. And, in a couple of years, we’ll do this all over again.

But amid all the noise that’s sure to follow, it’s important not to forget that our fiscal irresponsibility can’t continue forever. Congress may be in the habit of pretending otherwise, but we’re headed for a fall.

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