

Editorial: The federal debt limit drama isn't a fight over spending

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The federal government's finances are in the red and the White House is occupied by a Democrat, which means it's time for renewed drama about the federal debt limit.

The limit — a cap on borrowing by the Treasury — is set to go back into effect in August after a two-year suspension. By using stopgap measures, the Treasury should be able to keep paying the federal government's bills until sometime in October, the Congressional Budget Office estimates, although Treasury Secretary Janet L. Yellen predicts that the money could run out sooner.

Senate Minority Leader Mitch McConnell (R-Ky.) has said that Republicans won't vote to increase the debt limit, raising the specter of a filibuster that could lead to default. McConnell suggested to Punchbowl News that Democrats raise the limit through a budget reconciliation bill, which can't be filibustered, but Democrats balk at the idea of being the only ones to vote for something that unpopular.

Let's be clear right up front that the debate over increasing the debt limit is not about fiscal responsibility. In fact, failing to raise the debt limit would be the most irresponsible thing lawmakers could do. Instead, it's all about who will get the blame for, well, being fiscally responsible, and how much damage will be inflicted on the economy in the process. Congress established the debt limit more than a century ago, but the current version of the mechanism makes no sense. How much Washington spends is dictated by the annual appropriations measures and existing entitlement programs, such as Medicare, Medicaid and Social Security. The only thing the debt limit does is impede the Treasury's ability to pay the bills run up by Congress.

In other words, raising the debt limit isn't like upping the credit limit on your Visa card. Congress has already committed to spending the money, and the Treasury has already borrowed much of it. And unless Congress raises the debt limit, Washington won't be able to keep those commitments or pay back some of the people it owes.

The way to rein in spending is to amend entitlement programs and tighten appropriations bills — two things Republicans had the opportunity to do when they held complete control of Congress and the White House in 2017 and 2018. Instead, they pushed the deficit ever higher by ramping up the Defense budget and cutting taxes.

According to CBO's estimate, the federal government's obligations are currently about twice as great as the revenue it expects to take in. Besides the aforementioned tax cuts and spending hikes, the deficit is fueled by the enormous amount of money spent on COVID-19 relief bills by the Trump and Biden administrations. Then there's the ongoing issue of the rising healthcare costs plaguing Medicare, Medicaid and other federal health programs. Add to that the interest payments on roughly \$28.5 trillion in accumulated federal debt, and you see why Washington needs to keep borrowing money.

Republicans complain about the huge amounts spent during the pandemic, but that's a one-time problem. They also point to the Democrats' ambitious new budget proposal, but Biden rightly wants to finance that spending with new taxes and other revenue, not more borrowing.

It would be up to the Biden administration to decide which bills to pay if the debt limit isn't raised on time, but someone's ox will be gored, potentially including people on disability, Medicare providers, military personnel and federal bondholders. And here's the worst part: The financial markets would notice that the full faith and credit of the United States wasn't what it used to be, and they would react. Badly.

We know this because it happened the last time Congress flirted with disaster on the debt limit, in 2011. Standard & Poor's downgraded the United States' pristine AAA credit rating, declaring, "The political brinkmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective and less predictable than what we previously believed."

A lower credit rating could force the federal government to pay higher interest rates to borrow money, but the more immediate problem would be potential global financial disaster that the first real, deliberate default in U.S. history would trigger. That's because U.S. debt is considered the safest possible investment, and if it turns out not to be so safe, heaven help us.

Still, some Republicans are hoping to hold any increase in the debt limit hostage to entitlement reforms or spending caps. After the profligacy of the Trump years, the GOP's newfound interest in cutting the deficit is welcome. The gamesmanship over the debt limit, however, is not.

It's worth remembering that after two years of increasing deficits under Trump, Republicans and Democrats agreed in 2019 to a budget deal that took the debt ceiling temporarily off the table. It was a smart move then, and it would be just as smart now.

Problem 1. Respond to the following questions.

(a) In a word, phrase, or sentence, state the author's thesis. Identify one or more passages in the text which lead you to identify this thesis.

(b) Find two or more subclaims in the article. Identify any supporting evidence.

(c) Think about counterarguments. What would someone who disagreed with the authors' thesis give as their thesis? What might be their supporting evidence?