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A Ringside Seat to the Debt Ceiling Fight

If most lawmakers had their way, there would be fewer rules to restrain them from growing spending and the national debt. Case in point: the 2015 suspension of the debt limit — the maximum amount of money the government may borrow — as part of a deal to increase spending above the previously agreed-upon spending caps.

Now that the debt ceiling's suspension is set to expire in March, outgoing Treasury Secretary Jacob Lew is making the case for scrapping the constraint altogether. He just wrote an essay for the *Harvard Journal on Legislation*. The *Wall Street Journal* summarized his argument thus: "It isn't an effective device for imposing fiscal discipline and instead provokes partisan standoffs that threaten economic calamity."

On the surface, he seems to have a point. First, we've witnessed during the past few years some serious fights between those who want to raise the limit with no questions asked and those who demand that an increase be paired with spending restraints. Second, since 1993, the limit has increased almost 20 times — and the federal debt has ballooned from less than $5 trillion to almost $20 trillion, providing ammunition for the argument that it's inefficient at controlling spending.

But this wasn't always the case. In fact, the debt limit played a more restraining role before the 1979 adoption of the "Gephardt rule," a parliamentary rule that considered the debt ceiling raised when a budget resolution was passed. The rule, which was very useful to big-government lawmakers who didn't want to be seen voting for more debt, stayed in place until the Republican takeover of the House in 1995 and was fully repealed in 2001. Being the decadent spenders they were under President George W. Bush, however, Republicans reinstated it twice, in 2003 and 2005.

Yet in recent years, the tea party movement — fed up with Washington's fiscal irresponsibility — demanded a floor vote on the debt ceiling and, with it, a nationwide focus on our debt level. This led to the now famous debt ceiling battle of 2011, which produced an agreement placing caps on spending over 10 years.

Bipartisanship has lifted the caps several times ever since. Although, for the short time they were in place, caps did play a role in imposing some level of fiscal discipline on Congress — discipline that would have never existed if it hadn't been for the debt ceiling fight.

Scaremongering about the debt ceiling is hard to stomach, with many people repeating the claim by Lew that the standoff between the two parties around the decision to raise the limit could itself lead to a U.S. default. Though defaulting on our debt isn't acceptable, raising the government borrowing authority without a commitment to improving our long-term debt problem is irresponsible, too. In 2011, Fitch Ratings warned the U.S. government that though it supported raising the debt ceiling, it also wanted the government to come up with a credible medium-term plan for deficit reduction.

Congressional Budget Office projections show that federal debt held by the public will reach 77.2 percent of gross domestic product by the end of 2017 — 3.5 percentage points higher than in 2015. It's also expected that debt will grow from $20 trillion this year to $28 trillion by 2026.

If Congress were to do nothing to reform the drivers of our future debt — Medicare, Medicaid and Social Security — before March, the optimal outcome would then be to raise the debt limit while Congress and the president pass a credible plan to reduce near- and long-term spending at the same time.

If an agreement were not to be reached, it wouldn't mean we would default. Contrary to the misleading statement made by Lew during the previous debt ceiling debate, Treasury has the legal authority to prioritize interest payments on the debt above all other obligations, whether that means delaying payments to contractors or managing other obligations. It's not ideal, but it beats the alternatives.

With our debt about to explode, the debt limit is more needed than ever. Congress needs to resist the calls to dispose of it.

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