



Written by [Bob Adelman](#) on November 7, 2012

## Debt Ceiling Likely to be Raised Without Fanfare This Time

Near the end of the Treasury Department's [Quarterly Refunding Statement](#), issued on Wednesday, October 31, Assistant Secretary Matthew Rutherford included the following ominous paragraph:

Treasury continues to expect the debt limit to be reached near the end of 2012. However, Treasury has the authority to take certain extraordinary measures to give Congress more time to act to ensure we are able to meet the legal obligations of the United States of America. We continue to expect that these extraordinary measures would provide sufficient "headroom" under the debt limit to allow the government to continue to meet its obligations until early in 2013.



These are the words that triggered the [debt ceiling crisis](#) in the summer of 2011 when recalcitrant House members, honoring their [Taxpayer Protection Pledge](#), drew a line in the sand and threatened a shutdown of the government unless the White House caved in and permitted spending cuts in the future in exchange for an immediate raise in the ceiling. Those "spending cuts in the future" are part of the "[fiscal cliff](#)" facing the lame-duck Congress following the election on Tuesday.

Since the [Budget Control Act of 2011](#) was signed into law, the debt ceiling has been incrementally raised to its current level, \$16.4 trillion. With [October's deficit of \\$195 billion](#) pushing the national debt to \$16.2 trillion, the clock is ticking on the inevitable limit being reached well before the end of the year.

As noted by Rutherford,

The debt limit places a limitation on the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments.

The debt limit does not authorize new spending commitments. It simply allows the government to finance existing legal obligations that Congresses and presidents of both parties have made in the past.

Unless the House of Representatives votes to raise the ceiling, the government will be unable to sell new Treasury securities to fund Congress' spending.

[Grover Norquist](#), author and promoter of the "[Taxpayer Protection Pledge](#)" that was signed by all but six of the 242 Republican House members and all but seven of the 47 Republican Senators in the 112th



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Congress, [told Reuters a few days before the election](#) that the Congress would be willing to raise the ceiling once again but only after extracting promises from the White House that Obama would extend the Bush tax cuts and call off the regulatory tsunami that is smothering small businesses. He spoke rhetorically directly to the president:

Look, you want the higher debt ceiling because you spend so much money because you gave all your money to Solyndra, stimulus spending and all that other nonsense you did. We have to get a debt ceiling because of your spending. So that's your fault. We will fix your problem temporarily for you with certain costs attached. Extend the Bush tax cuts the first week ... and then there will be questions as to how much you're going to regulate. We're not going to allow you to throw regulatory burdens on the American economy and then let you spend more money ... no, no, no, no. Any costly regulations that we don't agree to — you don't get your money.

Then Norquist said, "The Republicans will never again give Obama a year and a half worth of debt ceiling. They'll give him debt ceiling increases ... 2 weeks long, 1 month long. The allowance that he's going to be on is going to be very short. If he gets reelected ... he's going to have a very unhappy presidency and a very short leash and he won't be able to do anything fun."

Of course, the election intervened and likely changed that rhetorical conversation. [With voters holding Congress in the lowest regard in years](#), the debt ceiling this time around is likely to be raised without a fuss.

It's mostly symbolic, anyway, [according to economist Gary North](#):

The Federal debt-ceiling is always raised. There are no exceptions. As surely as night follows day, so does the national debt-ceiling get raised. Everyone in Congress knows this. Everyone in the media knows this. Those few voters who pay any attention suspect this.

North explains that it's a ritual without meaning because there is little incentive to apply financial discipline. He says that the deficit is out of control because government spending is out of control. And that's because the electorate is out of control.

[Rep. Ron Paul paints a picture](#) of how the average citizen views government spending:

Imagine you had a pesky neighbor who somehow took out a mortgage on his house in your name and by some legal trickery you were obligated to pay for it. Imagine watching this neighbor throw drunken parties, buy expensive cars, add more rooms to the house, and hire dozens of people to wait on him hand and foot. Imagine that he also managed to take out several credit cards in your name.

One by one, he would max them out and then use your good name and credit to obtain another credit card, then another and then another. Each time, this neighbor would claim that he needed the new credit card to pay interest on the other maxed out credit cards.

If he defaulted on those cards, your credit score would be hurt and when you wanted to buy something for yourself, it would be more difficult to get a loan and the interest you paid would be higher.

Imagine that you mulled this over, and time after time, said nothing as he filled out more credit applications so he would not have to default on the other debt taken out in your name. Meanwhile, another shiny new Mercedes appears in his driveway.

At what point do you think you might get tired of this game? And, even though you are left with no



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really good options, do you think you might eventually tell him to go ahead and default, just stop spending your money?

Until and unless the American taxpayer realizes he is the one paying for government's profligacy, he will remain content to ignore the issue. As long as his government entitlement checks keep coming, he'll ignore the debt ceiling conversation altogether. With the incoming 113th Congress likely to reflect more of this entitlement mentality and with the Treasury Department's willingness to use "extraordinary measures" to push off the conversation until that Congress is seated, the debt ceiling will be raised again, for the 81st time since 1940. Just like it always has been.



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