

1. Mark your confusion.
2. Show evidence of a close reading.
3. Write a 1+ page reflection.

What to Know About the Debt Ceiling Deadline

Source: Stephen Neukam, TheHill.com, January 17, 2023

Washington is gearing up for a fight over the fast-approaching debt ceiling limit after Treasury Secretary Janet Yellen announced last week that the country will hit its borrowing cap of around \$31.4 trillion on Thursday.

Thus far, lawmakers have held firm on their positions on the debt limit, with Democrats arguing for a swift raise in the ceiling and Republicans reluctant to negotiate without guarantees of spending cuts—a position the White House has said it will not negotiate on.

As the debt limit approaches, lawmakers will be pressured to take legislative action to avoid the potentially dangerous fallout of an American default on its national debt.

What is the debt limit?

The debt limit is the cap on the amount of money the U.S. government can borrow to meet its existing financial obligations. And since the government spends more money each year than it raises — operating at a budget deficit — it must borrow funds to make payments on programs such as Social Security and military spending. But a critical point to remember is that raising the debt limit does not authorize new spending. Rather, it just allows the government to fund its existing obligations.

Since the amount of government spending is one of the fundamental differences between Republicans and Democrats, the issue of the debt ceiling almost always means splits over whether to raise the debt ceiling, or what programs to raise it for, arise in Washington.

How much has the debt ceiling grown?

Since the end of World War II, Congress and the President have modified the debt ceiling more than 100 times, according to the Congressional Research Service. During the 1980s, the debt ceiling was increased from less than \$1 trillion to nearly \$3 trillion. Over the course of the 1990s, it was doubled to nearly \$6 trillion, and in the 2000s it was again doubled to over \$12 trillion. The Budget Control Act of 2011 automatically raised the debt ceiling by \$900 billion and gave the President authority to increase the limit by an additional \$1.2 trillion (for a total of \$2.1 trillion) to \$16.39 trillion. Lawmakers have suspended the debt limit, rather than raising it by a specific dollar amount, seven times since February 2013. The debt limit was increased – not suspended – twice in 2021, mostly recently in a December 2021 bill that formally increased the limit to \$31.381 trillion.

When will the U.S. reach its debt limit?

While Yellen announced last week that the country is expected to reach its debt limit on Thursday, the government still has the ability to exercise other options — which Yellen called “extraordinary measures” — to continue to pay its bills. Those tricks, Yellen warned lawmakers, could be fully used by June, at which point the U.S. truly would have reached a point of not being able to finance its obligations.

What can lawmakers do to avoid reaching the debt limit?

Members of Congress have two options in front of them to avoid a debt default. They have the choice to pass legislation that increases the debt limit to a new amount, allowing the U.S. to take on

more debt to make payments on its obligations. Or it could vote to temporarily suspend the debt limit through a set date.

What happens if lawmakers don't lift or suspend the debt ceiling?

This question is tricky, because the U.S. has never intentionally defaulted on its debt because of the debt ceiling. We know that the country would no longer be able to issue new debt, meaning it would not have enough money to pay its bills and would effectively default on its obligations.

But because of the potential harm that a default would cause to the country's economic standing, this has never happened. Economists have warned that a U.S. default would be devastating to the global economy, potentially dunking the world into an economic crisis.

An October 2021 release from the White House's Council of Economic Advisers said it would take "decades for the United States to fully recover" from such action. The same release warns that a default would endanger the government's ability to maintain national defense, make social safety net payments to American families and provide a functioning public health system.

Is there a plan for if the U.S. does default on its debt?

Not really. Republicans are readying a plan to tell the Treasury to make payments on only the most critical of federal government obligations, like paying interest on debt, if they can't agree on a debt limit solution, according to reporting from *The Washington Post*. But such a course of action would be unprecedented.

Possible Response Questions

- What are your thoughts about the U.S. reaching its debt limit? Explain.
- Did something in the article surprise you? Discuss.
- Pick a word/line/passage from the article and respond to it.
- Discuss a "move" made by the writer in this piece that you think is good/interesting. Explain.