



Written by [Laurence M. Vance](#) on March 24, 2014

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Bye-Bye Debt Limit

The federal debt limit is once again on autopilot. Facing the dilemma of raising the debt limit so that the federal government can borrow more money or allowing the government to default on its obligations and possibly shut down, Congress passed in February, and, while on a weekend golf vacation in Southern California, President Obama signed into law, a stand-alone bill (S. 540) to suspend the debt limit through March 15, 2015 — that is, after a new Congress has settled in following the upcoming November election.



The debt limit or debt ceiling is the maximum amount of money the government is legally allowed to borrow. Beginning in 1917, Congress established statutory limits on federal debt. According to the Government Accountability Office (GAO): “The debt limit does not control or limit the ability of the federal government to run deficits or incur obligations. Rather, it is a limit on the ability to pay obligations already incurred.” And as stated by the Treasury Department: “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.”

The debt ceiling was “only” \$49 billion in 1940. Surprisingly, it was actually lowered five times, in 1946, 1956, 1960, and twice in 1963, before growing to \$1 trillion by September of 1981. The last time the debt limit was actually set by statute — January 28, 2012 — the limit was \$16.394 trillion.

Federal debt can increase in two ways, as explained in *The Debt Limit: History and Recent Increases*, issued by the Congressional Research Service:

First, debt increases when the government sells debt to the public to finance budget deficits and acquire the financial resources needed to meet its obligations. This increases *debt held by the public*. Second, debt increases when the federal government issues debt to certain government accounts, such as the Social Security, Medicare, and Transportation trust funds, in exchange for their reported surpluses. This increases *debt held by government accounts*. The sum of debt held by the public and *debt held by government accounts is the total federal debt*. Surpluses reduce debt held by the public, while deficits raise it. [Emphasis in original.]

The federal debt is currently over \$17.3 trillion — well above the last statutory debt limit of \$16.394 trillion — and increasing by over \$2 billion every day.

The Explosion of the Debt Limit

The statutory debt limit grew from just over \$1 trillion in September of 1981 to just over \$2 trillion in December of 1985. It took four more years for the debt limit to increase by another trillion, reaching \$3.123 trillion in November of 1989. Only one year later, the debt limit had increased by another \$1 trillion. From there it was not until March of 1996 that the debt limit exceeded \$5 trillion.



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But after “only” rising to \$5.95 trillion before the day of President George W. Bush’s first inauguration, the debit limit increased by over \$2 trillion to \$8.184 trillion by the time of his second inauguration. When Bush left office in January of 2009, the debt limit was up to \$11.315 trillion.

This increase in the debt limit under Bush paralleled the increases in federal spending and the federal debt. The federal budget exploded under Bush from \$2 trillion in fiscal year 2002 (his first budget) to \$3.1 trillion in fiscal year 2009 (his last budget). This last of Bush’s budgets was especially significant as it was the first budget in U.S. history to have a deficit of over \$1 trillion. On the day of Bush’s first inauguration, federal debt stood at \$5.73 trillion. But by the time of his second inauguration, the national debt had increased by almost \$2 trillion to \$7.61 trillion. On the last day of Bush’s second term, the national debt stood at \$10.63 trillion.

Under President Obama the debt limit has continued its upward climb. It was first raised in the beginning of 2009 in the “American Recovery and Reinvestment Act” to \$12.104 trillion. But before the year was over, it was raised again in December to \$12.394 trillion. The debt limit increased once in 2010, to \$14.294 trillion. In 2011, the “Budget Control Act” was enacted. It increased the debt limit in three steps totaling \$2.1 trillion.

When the new \$16.394 trillion debt limit was close to being reached, Congress, in the “No Budget, No Pay Act,” for the first time “suspended” the debt limit from February 4, 2013 to May 18, 2013. On May 19, 2013, the debt ceiling was raised to cover all the borrowing done during the suspension period. The same thing was then done for the period of October 17, 2013 to February 7, 2014. This year, however, Congress, in the “Temporary Debt Limit Extension Act” (S.540), suspended the debt limit for over a year, until March 15, 2015. Specifically, in Section 2:

(a) In General — Section 3101(b) of title 31, United States Code, shall not apply for the period beginning on the date of the enactment of this Act and ending on March 15, 2015.

(b) Special Rule Relating to Obligations Issued During Extension Period — Effective March 16, 2015, the limitation in effect under section 3101(b) of title 31, United States Code, shall be increased to the extent that —

- (1) the face amount of obligations issued under chapter 31 of such title and the face amount of obligations whose principal and interest are guaranteed by the United States Government (except guaranteed obligations held by the Secretary of the Treasury) outstanding on March 16, 2015, exceeds
- (2) the face amount of such obligations outstanding on the date of the enactment of this Act.

“I’m pleased that Republicans and Democrats in Congress have come together to pay for what they’ve already spent, and remove the threat of default from our economy once and for all,” said President Obama. Actually, not a single Republican in the Democratic-controlled Senate voted for the debt limit suspension. In the Republican-controlled House, the Republican vote was 199-28.

What this means, of course, is that no one has any idea how much more debt the government is going to rack up before the period of debt limit suspension ends. All this debt comes at a price. Since 1995, interest payments on the national debt have exceed \$300 billion every year, and have exceeded \$400 billion in five years.



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The Politics of the Debt Limit

It is a myth that the Republican Party is the party of fiscal conservatism and the Democratic Party is the party of deficit spending. As relayed by the Treasury Department: “Since 1960, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit — 49 times under Republican presidents and 29 times under Democratic presidents.” The current Republican opposition to raising or suspending the debt limit is purely political. Bush and his Republican-controlled Congress raised the debt limit four times, and then Bush under a Democratic-controlled Congress raised it again three more times, before Obama and his Democratic-controlled Congress did likewise.

When the debt ceiling was raised in 2002, it was opposed by only 15 Republicans in the Senate and six in the House. On the other hand, 206 out of 210 Democrats in the House opposed the Republican-supported increase. In 2003, raising the debt limit was opposed by just one Republican in the Senate and seven Republicans in the House. In 2004, an increase was only opposed by one Republican in the Senate and 10 Republicans in the House. This time every voting Democrat voted against raising the debt limit. In 2006, just three Republicans in the Senate and 15 in the House opposed the debt limit increase.

The next time the debt ceiling was raised, in 2007, congressional Republicans began to turn into fiscal conservatives, since the Democrats regained control of the House and Senate in the 2006 midterm elections. Opposition was provided by 20 Republicans in the Senate and every Republican in the House. When the debt limit was raised in the “Housing and Economic Recovery Act of 2008” (the Bush bailout), it was opposed by 13 Republicans in the Senate and 149 in the House. When it was raised later in the year in the “Emergency Economic Stabilization Act of 2008” (the TARP bailout), it was opposed by 15 Republicans in the Senate and 108 in the House.

When Obama was elected president in 2008, with the Democrats maintaining their majority in Congress in the same election, the Republicans almost unanimously resisted any increase in the debt limit. Opposition to raising the debt limit in the “American Recovery and Reinvestment Act of 2009” (Obama’s stimulus plan) was opposed by 38 out of 41 Republicans in the Senate and all 176 voting Republicans in the House. On the other two occasions when Obama and the Democrats raised the debt limit, there was unanimous Republican opposition.

After the Republicans regained control of the House in the 2010 midterm election, they helped Democrats pass the “Budget Control Act of 2011,” which ultimately raised the debt ceiling to \$16.394 trillion. The Republican vote in favor of the legislation was 174-66 in the House and 28-19 in the Senate. This immediately increased the debt limit by \$400 billion and included provisions allowing the president to request two additional increases, subject to congressional disapproval. Naturally, the president took advantage of this and requested a \$500 billion increase in September of 2011 and a \$1.2 trillion increase in January of 2012. Party-line votes on disapproval measures meant that they passed only in the House since the Senate was controlled by Democrats. When the debt limit was twice suspended in 2013, the first time Republicans generally supported such action in the House and opposed it in the Senate, but did the very opposite the second time.

Republicans have progressed from almost unanimous support for raising the debt ceiling when they controlled the White House and Congress, to generally opposing raising the debt ceiling when a Republican was president and the Democrats controlled Congress, to almost unanimous opposition to



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raising the debt ceiling when Democrats controlled the White House and Congress, to being all over the map when a Democrat resides in the White House and Republicans control only the House. It should also be pointed out that when Republicans had a majority in the House and Senate under President Clinton, they voted twice to raise the debt limit (in 1996 and 1997).

Republicans don't have a monopoly on hypocrisy. As a U.S. senator, Obama had four opportunities to vote on expanding the debt ceiling when Bush was president. He didn't vote on two occasions (in 2007 and 2008), but when the Republicans had a majority in both Houses of Congress and supported raising the debt limit in 2006, he voted against doing so. And when the Democrats controlled the Congress and supported raising the debt limit in 2008, he voted in favor of doing so. And although most congressional Democrats currently favor an increase in the debt limit, they fought against such an increase the four times the debt ceiling was raised when George W. Bush was in office.

The Reason for Debt Limit Increases

There is only one reason why Congress continually seeks to raise the debt limit: Government spending is out of control. Members of Congress have an insatiable desire to spend money — other people's money. Even worse is the fact that the vast majority of spending authorized by Congress is blatantly unconstitutional. Consider just the following five areas of spending:

- **Agriculture.** President Obama recently signed a five-year, \$956.4 billion farm bill that “sets national agriculture, nutrition, conservation, and forestry policy.” Yet, the Constitution authorizes none of these things. Just as it nowhere authorizes food stamps, farm subsidies, protection of the sugar industry, milk price supports, the National School Lunch Program (NSLP), the School Breakfast Program (SBP), federal Dietary Guidelines for Americans, the federal Food Guide Pyramid, the Food and Nutrition Service, or the Department of Agriculture.
- **Foreign aid.** The federal government provides some form of assistance to over 150 countries. Billions and billions of dollars have been doled out since World War II. But not only is foreign aid not authorized by the Constitution, it is simply an income transfer from the pockets of American taxpayers to corrupt regimes and countries whose location most Americans don't know. And with poverty, unemployment, and crumbling infrastructure here in the United States, it doesn't even make any sense for the U.S. government to send taxpayer money overseas.
- **Education.** The federal government created the Department of Education in 1979 even though every state already had its own Department of Education. Yet, the Constitution nowhere authorizes the federal government to spend one dime on education. This means not only that the bloated bureaucracy of the Department of Education should not exist, but also that there should be no Elementary and Secondary Education Act, Pell Grants, Head Start, or federal funding of student loans, research grants, special education, or math and science initiatives.
- **Healthcare.** The federal government regulates and funds healthcare in the United States. Yet, the Constitution authorizes not a whit to be spent on either. This not only means that there should be no ObamaCare, but no Department of Health and Human Services, FDA, National Institutes of Health, Medicare, Medicaid, SCHIP, or federal funding of vaccination programs, medical research, clinical trials, HIV/AIDS-prevention initiatives, or laboratories.
- **Welfare.** The federal government has roughly 80 federal means-tested welfare programs, not one of



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which is authorized by the Constitution. These programs forcibly transfer income from some Americans to other Americans. So, in addition to food stamps, Medicaid, and Medicare, mentioned above, no money should be taken from taxpayers to fund Supplemental Security Income, Temporary Assistance for Needy Families, housing subsidies, WIC, the Low Income Home Energy Assistance Program, or refundable tax credits.

I haven't even mentioned the alphabet soup of federal agencies such as the EPA, SBA, FTC, FCC, SEC, FDA, TVA, HUD, NEA, NEH, CPB, and OSHA that are not authorized by the Constitution or the billions spent by the U.S. military on offense instead of defense. Before Congress suspended the debt limit, it first suspended the Constitution.

The Constitutional Obligation

Congress has no duty to honor the government's obligations that it voted for if it entails raising the debt limit. Not when the vast majority of the money Congress appropriates is for unconstitutional spending. This is true even if the debt limit doesn't have to be raised. And no Congress is bound by the acts of a previous Congress. The first obligation of Congress is to follow the Constitution that every one of its individual members swore to uphold. Acts of Congress authorizing unconstitutional spending or spending that cannot be paid for can be amended or repealed just as easily as the obligations were created in the first place.

Rejecting an increase in the debt limit is the first step toward restoring fiscal sanity in Washington. It would force Congress to drastically cut spending and then live within its means. Rolling back government spending to "pre-stimulus, pre-bailout levels," as proposed by House Republicans in their "Pledge to America," is nowhere near enough. And conditioning the raising of the debt ceiling on promises of future spending cuts, deficit reduction provisions, entitlement reform, or passage of a balanced budget amendment is no solution at all. But not only should the debt limit not be raised, it should be lowered. Congress' credit card must be cut up; its checks must be shredded. Suspending the debt limit, as Congress just did for the third time, is akin to giving congressmen a credit card with no limit or a blank check.



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