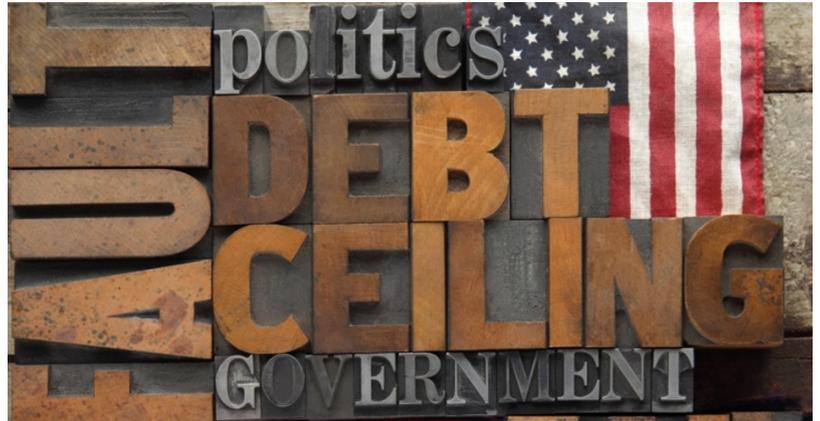




Written by [Bob Adelman](#) on August 2, 2017

Debt Ceiling Debate Charade Begins, Again

Treasury Secretary Steve Mnuchin [warned Congress in a letter sent Friday](#) that they had precious little time to raise the federal government's debt ceiling before his department ran out of money. He even put a date on when that would happen if the ceiling wasn't raised: "Based upon our available information, I believe that it is critical that Congress act to increase the nation's borrowing authority by September 29."



That's the day before the end of the government's fiscal year, and closely coincides with the moment when the Treasury will be unable to pay the government's bills. The Treasury's cash balances are expected to drop close to \$25 billion in September, dangerously low when compared to the government's budget of \$4 trillion.

Mnuchin no doubt is referring to the Congressional Budget Office (CBO) report released in June that reminded citizens that the debt limit of \$19.8 trillion was reached in March and that the Treasury Department has been using "extraordinary measures" — bookkeeping adjustments and delays in making some payments to federal employee pension and health plans — to pay its bills ever since.

The CBO expressed nervousness that because the deficit this year is \$693 billion, \$134 billion more than anticipated, the Treasury is running out of money to pay the government's bills faster than expected.

The White House lent its weight to the matter on Tuesday when White House spokesman Sarah Sanders said, "To ensure that we have robust economic growth and promote fiscal discipline, the Trump administration believes it's important to raise the debt ceiling as soon as possible."

On Wednesday an advisory committee to the Treasury reiterated the need for Congress to act promptly, stressing the "urgency and importance" of raising the limit before the department runs out of money.

For years the debate over raising the debt ceiling has ignited sharp discussions, confrontations, and even threats of shutting down the government altogether, but the debate has always been settled with the raising of the ceiling. This year appears to be no different. When the debt ceiling bill arrives at the Senate, it will require 60 votes for passage. As Kate Davidson, writing in *The Wall Street Journal*, noted, "GOP leaders will almost certainly need to rely on Democratic support to get any type of increase to the president's desk, something Democrats might be reluctant to provide without [getting] something in return. They have been unified in opposition to Republicans on other issues."

The coming confrontation is beginning to make the bond market nervous. As Priya Misra, the head of Global Rates Strategy at TD Securities in New York, expressed it, "We are all attuned to the dysfunction in Washington. It's making an early resolution seem very unlikely. Even though the Republicans control the House, Senate and White House, it's not a unified party."

The debt ceiling, first installed in 1917 to keep the executive branch from borrowing without limit, has repeatedly been raised, with little impact on government spending. The argument that somehow the



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debt ceiling will put a lid on government spending is spurious. The spending has already been authorized by Congress, and the Treasury is tasked with paying for it. Most of the bills are paid through taxes, the rest through borrowing. The only place for spending restraint is in the House, which is authorized by the Constitution to consider such bills.

The House Freedom Caucus isn't rolling over on the issue. Three of its members have offered bills that would authorize the Treasury to sell off certain government assets in order to pay its bills, attach a budget resolution to the debt-ceiling bill that would demand cuts in mandatory (welfare) spending by \$250 billion, and to link the debt ceiling to repeal of ObamaCare.

The fact that Senate Majority Leader Mitch McConnell (R-Ky.) has thrown cold water on all three of these bills indicates the lack of concern over escalating government debts. Few seem concerned that, following the inevitable passage of a bill authorizing another raise in the debt ceiling, the national debt will exceed, probably by a substantial amount, \$20 trillion.

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