



Will GOP Oppose Increase of Debt Ceiling?

In 1940, the statutory national debt limit was authorized at \$43 billion. Today, the debt ceiling stands at \$14.3 trillion dollars — 291 times larger than the original limit. Since President Barack Obama took office, the debt limit has been raised three times, though that is not unusual for a sitting president. However, the most recent limit increase was staunchly opposed by the GOP and did not secure one Republican vote. Whether the Republicans did that to assure their own victories on November 2 or they truly believe in reducing the debt remains to be seen, but it certainly prompts the question: What would happen if the GOP banded together next year and blocked the Treasury from issuing more debt?



According to conservative pundit Glenn Beck, experts believe that in the short term, we would no longer be able to issue new debt, spending would necessarily be slashed, America would likely lose its AAA credit rating and markets around the world would panic.

A writer at Fire Dog Lake reports: “This formally looks about the same as a government shutdown, only on a global scale. As international investors and banks don’t get repaid, the result could trigger a global financial crisis. Just the loss of confidence in the US temporarily defaulting could set off the animal spirits and lead to a crash.”

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However, the long-term effects may prove to be more beneficial, alleges Beck:

Maybe saying no to more debt would send the message to everyone that there is no more money. Maybe more importantly like an individual that loses his job or has to declare bankruptcy, it would force a national conversation about our real priorities and how they should be funded.

Beck may not be the only conservative to believe in lowering the debt ceiling. According to MSNBC commentator Larry O’Donnell, Kentucky’s new Republican Sen. Rand Paul would prevent a hike to the debt ceiling, thereby causing an immediate default and possibly a global depression.

Business Insider writes, “Even if [Rand Paul] couldn’t do it on his own, there’s the fear that the GOP-controlled House could prevent the ceiling from being hiked, especially since Michael Steele, head of the RNC, has vowed ‘no compromise’ on this issue.”

In addition to Paul and Steele, Tea Party-elects like Utah Republican Senate-elect Michael Lee has vowed to oppose any increase in the debt ceiling, even if it means clashing with his own party. Likewise, many political campaign ads targeted incumbent Democrats’ previous votes to raise the debt ceiling.

On the other hand, OMB Watch notes, “Some conservatives, such as likely Majority Leader Eric Cantor (R-Va.) and Sen. Tom Coburn (R-Okla.), have said they would be willing to vote for an increase in the



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federal debt limit for tradeoffs in lower government spending. Unreasonable demands on lower spending that the Obama administration would likely reject, though, might only encourage obstinate tea party types to continue to hold out against raising the debt ceiling.”

Eric Cantor has indicated that Republicans will ask for an up or down vote to increase the debt limit next year. When asked if such a vote would be difficult given the Republican promise to cut spending, Cantor responded that the GOP will “demonstrate a commitment to the fiscal discipline [by] reducing costs of running federal agencies and examining pay for federal workers” before the vote comes up.

The United States was given a small glimpse into some of the less disastrous effects of rejecting an increase in the debt ceiling during the Clinton administration. In 1995, the Republican-controlled Congress refused to increase the limit of debt that the Treasury Department is authorized to accrue. At the same time, then President Bill Clinton proved unwilling to cut Medicare, Medicaid, education, environmental controls, and the EITC (Earned Income Tax Credit). In a game of chicken between the President and Congress, a budget had not been approved.

Essential federal spending continued to be funded by way of a continuing resolution, which was set to expire on November 13. On November 14, however, major portions of the federal government became inoperative.

The shutdown was resolved through a temporary spending bill, but the overall disagreement between Congress and the President remained unresolved, resulting in a second shutdown from December 16, 1995 to January 6, 1996.

Eventually the Republicans succumbed to the demands of the President.

Nearly 15 years later, the debate over increasing the debt ceiling is being revisited, and the possibility of another shutdown remains.

The Atlantic, however, believes it to be unlikely for the Republicans to freeze the debt ceiling:

They’re too scalded from the last government shutdown [in 1995]. So they’ll get the House to pass a lot of small things. You can repeal Obamacare with a sentence, and let it sit in the Senate. You can stop all funding for NPR, and then it goes to the Senate. You do this every day, get a bevy of proposals limiting government action. Or you say, we have to pass a debt ceiling increase, but we’re attaching \$100 billion in spending cuts to the bill.

The Atlantic may be on to something. On Wednesday, Senator Mitch McConnell said raising the debt ceiling “will not be without some strings attached if it happens.”

David Waldman of Congress Matters believes that the Democrats may use the lame duck session to raise the debt ceiling. He asserts, however, that the Dems would not have enough courage to extend the debt ceiling to the actual limit necessary to maintain current spending, leaving the final decision to be made by the next Congress.

Photo: Republican National Committee Chairman Michael Steele is seen before speaking before a group of supporters during a rally in Stockton, Calif., Oct. 6, 2010: AP Images



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