The Daily Dish

The Debt Limit Is Back

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Remember the federal debt limit? Remember how the One Big Beautiful Bill Act (OBBBA) raised it by $5 trillion to $41.1 trillion? Well, on August 18 the debt passed the $40 trillion mark. As the table below shows, the debt has been mounting at a rate that exceeds $2 trillion each year. That means the federal government will reach the debt limit sometime in 2027. It is time, now, to start thinking about the debt limit.

Debt Subject to Limit ($billions)		
	Amount	Increase
2021	28,401	1,481
2022	30,869	2,468
2023	33,070	2,201
2024	35,355	2,284
2025	37,526	2,171

There are two possibilities: Address the debt limit in the lame duck (post-election) session of Congress or leave it to the new Congress in 2027. Choosing the latter raises the possibility of divided government, with different parties controlling the House and Senate or even different parties controlling the legislative and executive branches. Any of those configurations raises the specter of political brinkmanship – a movie that voters have seen far too often.

More important, so have the rating agencies – and the possibility of another downgrade of Treasury securities is not something anyone should want to contemplate right now. Of course, one way to settle the issue is to buy the acquiescence of the other side. The (next to) last thing the budget needs is a spending war to achieve a debt limit increase.

All of those scenarios make dealing with the issue in the lame duck session seem the best approach. Indeed, government funding runs out on December 11, so there will need to be a funding bill in the lame duck; this is a natural vehicle on which a debt limit bill could ride. Doing it this way puts whatever political “blame” squarely on the party that has controlled Congress for the past two years, but has the advantage of clearing the decks for the president over his final two years.

The other question is *what* to do with the debt limit. There are three choices: (a) get rid of it; (b) raise it; and (c) suspend it until a date in the future. Option (a) is the best policy but a political non-starter. Alas. Choice (b) is the most straightforward, but even $5 trillion didn’t last very long. Do you go for another, say, $8 trillion? Finally, suspending the debt ceiling is the easiest way to leave the issue for the winner of the 2028 presidential election. The question is whether you really want to do that.

Anyway, the debt limit is back and will increasingly be part of the conversation as the year progresses.