



The Daily Dish

Debt Limit Dead Ahead

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Eakinomics: Debt Limit Dead Ahead

While Congress continues to struggle to find agreement on funding the government for fiscal year 2018, another contentious issue awaits. Yesterday, Lou Crandall, chief economist at the influential financial research firm Wrightson ICAP, announced “We have pulled our estimate of the debt ceiling drop-dead date forward a couple of weeks to early March.” Last fall, the Congressional Budget Office (CBO) had pegged the date at some point in late March or early April.

Recall that Congress suspended the debt limit through December 8, 2017 in a short-term funding bill passed in September. The debt limit reset on December 11 to \$20.456 trillion. Since that time, the Treasury has employed its playbook of [extraordinary measures](#) (essentially robbing federal retirement funds to pay off maturing debt) to keep under the limit and run the government. As of yesterday, the total debt subject to limit was \$20,455,975 trillion (as opposed to the limit of \$20,455,999 trillion). Notice that this is a larger number than the \$14.826 trillion held in the hands of the public, as the “debt subject to limit” includes Treasuries held in, for example, the Social Security Trust Funds.

Obviously, Congress must raise the debt limit in a timely fashion. The notion that the Treasury would be unable to borrow to meet its obligations would shake the market for Treasury securities to its core. Since Treasuries are the foundation of the global financial system, any impairment of their liquidity would be tantamount to a global financial crisis. It is simply unthinkable. In the process, however, expect vocal outcry about the fiscal outlook — and deservedly so. It is not unreasonable to anticipate that the federal budget deficit could breach \$1 trillion in fiscal 2019, and the prospect of rising deficits and debts will give rise to concerns about the United States as a location for international investment.

The bottom line is simple. Congress and the Administration need to own up to the fact that the federal budget is mess, and on an unsustainable trajectory. They need to get serious about the very entitlement programs that they consistently shirk their responsibility to fix.