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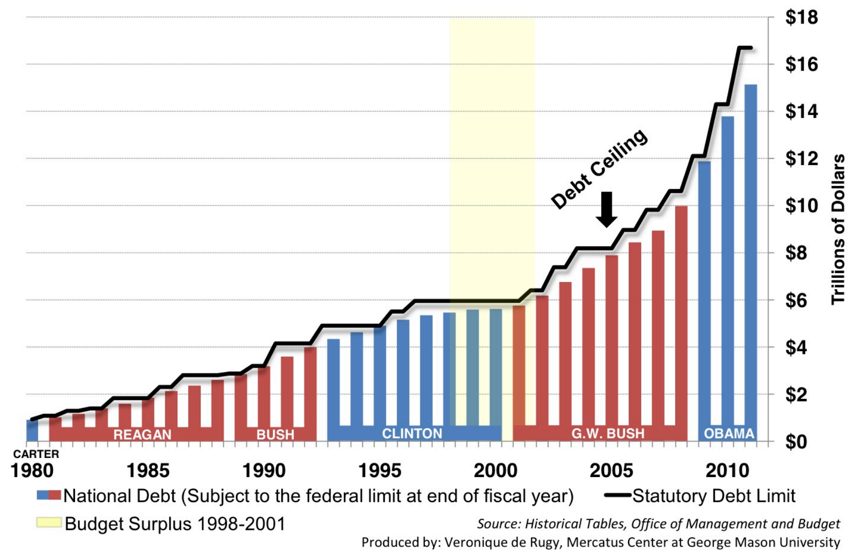
30 Years of Bipartisan Debt Ceiling Raises



This week Mercatus Center Research Fellow Veronique de Rugy uses data from the President's Budget to illustrate the past 30 years of raising the debt ceiling. The consequences of lifting the spending cap without institutional and fiscal reform are perpetual increases of the federal debt and more barriers to economic growth. If lessons from the past 30 years bring any truth to politicians, it is clear that raising the debt ceiling alone has little to do with decreasing the federal debt.

The debt ceiling is a provision that allows Congress to set the allowable limit of debt the federal government can borrow and sets constitutional prerogatives to control spending. Above, since 1980 the debt limit has been raised 39 times: 18 times under Ronald Reagan, four times under Bill Clinton and seven times under George W. Bush. Most recently, President Obama raised the debt limit again, for his fourth time to $16.4 trillion, which is exponentially greater than when it first reached $1 trillion nearly 30 years ago in 1982.

Raising the debt ceiling alone does nothing to address underlying drivers of our debt problem. The persistence of federal budget deficits has led to sustained growth in debt, thus requiring the government to issue more and more debt to the public.

The budgetary surpluses during FY1998-FY2001 (highlighted region) reduced debt held by the public by $448 billion, but due to accumulations in intra-governmental debt, total federal debt grew by $405 billion over the same period – amounting to the smallest annual growth period in federal debt during this time window. Also, this was the longest period without a raise in the debt limit, which was held at $5.95 trillion.

Historically, leaders from both parties have engaged in lifting the debt ceiling. As Obama said before a March 16, 2006 vote on raising the debt limit, "The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. Government can't pay its own bills." The important discussion centers less on whether Congress should extend the debt limit, but whether and how these efforts can be tied to deficit-reduction measures. The data show that real economic growth is the viable answer.