March 8, 2023

The Debt Ceiling

Over the last several weeks, you may have heard about our government's ongoing negotiations regarding the debt ceiling. While news stories typically have flashy headlines and fiery quotes, oftentimes information about what the debt ceiling is and its real impact on average Americans is left out. Read on to learn what the debt ceiling is, how it works, and what would happen if we default on our obligations.

[What is the debt ceiling?(usw.to/4h4)](usw.to/4h4)

The debt ceiling, also known as the national debt limit, was created by Congress in 1917 and sets a legal cap on the amount that the U.S. Treasury can borrow. Simply put, it sets the limit for how much debt the U.S. Government can have at any given time. The debt ceiling does not authorize any new spending; it simply allows the government to finance existing obligations that previous Congresses and presidents of both parties have made in the past. The U.S. is the only major country with an artificial debt ceiling that requires political action after Congress has already approved spending.

Why do we have to raise it?

Raising or suspending the debt ceiling becomes necessary when the government needs to borrow money to pay its debts. Since 1960, Congress has raised the debt ceiling seventy-eight separate times under majorities of both parties, including the last administration. For much of the last century raising the debt ceiling has been a relatively routine function of Congress. However, as U.S. political polarization has increased, votes to raise the debt ceiling have become more contentious.

What happens if we reach the debt ceiling?

If negotiations are not resolved before the debt ceiling is reached, the U.S. Treasury can take a series of actions known as "extraordinary measures" to keep the government afloat temporarily. On January 19, 2023, the debt ceiling was reached. Without a deal to raise it, the Treasury estimates that the extraordinary measure they have taken will keep the government running until sometime in June.

What are the consequences of breaching the debt ceiling?

If funding from the extraordinary measures run out, and the U.S. defaults on its obligations, experts predict (usw.to/4h5) it will wreak havoc on the U.S. economy, destabilize global markets, and result in a downgrading of the U.S. credit rating. In addition, government payments for things like military salaries and national defense, Social Security, Medicare, Medicaid, and a collection of other programs would halt. A default could cause the loss of three million jobs (usw.to/4h6) add $130,000 to the cost of an average new thirty-year mortgage, and raise interest rates enough to increase the national debt (usw.to/4h7) by $850 billion.

We know this information seems daunting, but there is some good news. Even though negotiations have come down to the wire time and again, Congress has never failed to raise the ceiling before funding from the Treasury's extraordinary measures has been depleted. This is why your voice is so important. As negotiations continue, we must demand that Congress keep its hands off Retirement Security programs like Social Security, Medicare, and Medicaid.

Go to usw.to/NoCuts to find out how your local can get involved today!