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“The U.S. Debt Ceiling: What It Is & What Happens If Congress Doesn’t Raise It” CNET

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The US government has never defaulted on its debts — but actions by Senate Republicans are threatening to shatter the nation’s financial track record. At the center of the congressional fight is a somewhat obscure bureaucratic mechanism: the debt limit, which is the amount of money the government is legally allowed to borrow. Failing to raise (or suspend) it could lead to dire financial consequences that could impact every part of the US economy.

The Democratic-led House of Representatives narrowly passed a bill along party lines last week to fund the US government through the beginning of December and suspend the debt ceiling until the end of 2022. But Senate Republicans blocked the measure on Monday — not a single Republican voted in favor — setting the stage for a clash. The US government could run out of money as soon as Oct. 15, according to an analysis published by the Bipartisan Policy Center.

The stakes are high. If the ceiling isn’t raised or suspended, it will almost certainly impact the US economy at a macro level, with experts forecasting interest rates spikes and stock price plunges. But the effects will surely be felt on an individual basis, too, as a government spending freeze would reduce or eliminate funding for vital programs, including food assistance for low-income Americans, Medicare and Social Security, and payouts to retired veterans.

Why is there a debt ceiling?
The debt limit “was instituted by Congress during World War I to give the Treasury Department more discretion in making federal spending decisions,” according to **Perry Adair**, attorney and consultant at the federal lobbying team of Becker Lawyers. “Before the limit, Congress had to issue bonds individually — in the same way they passed any other bill.”

This made it significantly harder to finance the war since Congress needed to approve each bond separately. The creation of the debt limit was its response to this burden. Thus, nowadays, Congress can vote to either raise the debt ceiling or suspend it all together, according to Adair.

What’s the difference between raising and suspending the debt ceiling?
“Raising it would simply increase the amount of debt the country can take on,”

Adair said. “Suspending it would instead allow for limitless borrowing until a date Congress specifies.”

How would it affect the US economy?

The impact would be acute and widespread. Millions of Americans wouldn’t receive Social Security or Medicare benefits. The federal government would stop issuing paychecks for all US troops and federal employees, and only certain essential federal employees would be allowed to work. According to a report published by Moody’s Analytics, US GDP would decline, approximately 6 million jobs would be lost and the unemployment rate would increase dramatically. And, just as significantly, the country’s track record — at least as far as paying its debts are concerned — would be irrevocably stained.

“Internationally, the United States will have for the first time undermined the full faith and credit of its own currency — a blow to our standing in the world and a boon for our adversaries such as China who are arguing to the world that the US is on the decline,” Adair said.

To read the complete CNET article, please **click here**.

Perry S. Adair has extensive experience in public policy and government relations, having served most recently as the legal extern in the Legislation & Authorities Division of TSA’s Office of Chief Counsel where he helped craft and shepherd the agency’s policy proposals and responses to oversight requests through Congress. In 2016, Perry successfully managed the reelection campaign of former Florida State Representative Michael Bileca; he also served as a legislative intern to former U.S. Representatives Ileana-Ros-Lehtinen (FL-27) and Carlos Curbelo (FL-26).To learn more about Perry, please **click here**.
