

During a townhall by telephone with constituents recently, many Nebraskans expressed strong feelings on what Congress and the President should be doing about the federal borrowing limit, or debt ceiling. Many also had hard questions and concerns regarding the real-life implications of an agreement not being reached.

As discussion regarding the debt limit intensifies, it is helpful to understand what the debt ceiling is, how we find ourselves in this situation, and what must happen to resolve the issue in coming weeks.

What is the debt limit?

The debt limit is a legal limit on borrowing placed on the federal government. It was written into law in 1917. Before that time, Congress had to approve borrowing money in each instance that borrowing was proposed. In order to more easily issue bonds during World War I, the government established a limit that allowed blanket approval for most types of deficit spending. Since its establishment, the debt limit has been raised almost 100 times. It has grown from less than \$1 trillion in the 1980s to \$6 trillion in the 1990s. The ceiling was last increased in February 2010, when it was lifted to the current level of \$14.3 trillion.

How did we get here?

The reasons for our staggering national debt are multiple but underscored by one simple reality: Washington has spent much more money than it has. Since 2000, federal government spending has doubled, accelerated by the high costs associated with the wars in Iraq and Afghanistan, bailout measures, stimulus spending, and health care costs. While revenues have also increased, the federal government is unable to meet its obligations without significant borrowing. Today, the U.S. government borrows 42 cents of every dollar it spends. In August, the federal government will have \$300 billion in bills and \$172 billion in revenue.

What happens next?

The current debate in Washington centers on increasing the debt limit once again. If it is not raised, the government will be unable to fulfill financial obligations, and decisions will be made by the Secretary of Treasury as to who gets paid. The result could damage the U.S. credit rating and cause great volatility in domestic and international financial markets as interest rates rise. Last week I called on the President – should an agreement not be reached on increasing the debt limit – to prioritize payments for Social Security recipients and military families.

If the debt ceiling is raised, many lawmakers want to make certain that significant spending reductions are made along with meaningful budgetary reforms that keep us from getting into such a mess again in the future. I believe this is the right approach. Ideally, a simpler, fairer tax code which is better for economic growth would also be a part of any agreement. While we have an obligation to pay our bills and default is not a responsible option, we must leverage this moment to curb excessive spending and set a new course for fiscal discipline and accountability. The economy would respond positively. Today, the House will vote on legislation that includes a balanced budget amendment, which would require the U.S. government to balance its books annually. I have long supported a balanced budget requirement at the federal level.

At this time, it remains uncertain what an agreement on the debt limit might entail. A number of Nebraskans have expressed to me their impatience with the political gamesmanship and posturing surrounding this debate. I am frustrated as well. It is time to govern. If we do not make the tough decisions now, we will be back in a few weeks, or months, having the same debate. The economy will continue to idle and our fiscal stability will be threatened. It is time to do the right thing for the country.