

## Raising Debt Ceiling: A Political Ritual

February 08, 2011 11:00 AM Ryan Rivet  
rrivet@tulane.edu

With a deadline looming to increase the federal debt ceiling, congressional Republicans are getting ready for a showdown with the White House. Members of the Obama administration are warning if the GOP refuses to raise the \$14 trillion limit, government will come to a screeching halt, immediately defaulting on its debt. "Not necessarily," says Tulane economics professor Steven Sheffrin.



Having a congressionally mandated debt ceiling "doesn't make a lot of sense," says economics professor Steven Sheffrin, but it does provide another check on the political process. (Photo by Ryan Rivet)

"No one's really envisioning that. It's purely a bargaining strategy," says Sheffrin, who also is executive director of the [Murphy Institute](#).

In 1917, Congress put a cap the amount of debt the federal government can legally borrow ? the debt ceiling. Since the ceiling was implemented, Congress has voted to raise the cap 74 times.

"It's become a kind of ritual in political life," Sheffrin says. "Over the years Congress has always kept a debt ceiling, but extended it. They keep raising it."

[Sheffrin](#) says the hyperbole is likely to increase as the debt gets closer to the limit, which the U.S. Treasury Department estimates will happen some time between March and May. However, even if the deadline passes, the federal government will more than likely continue to function.

“The government would still pay the interest on the existing debt from tax revenue,” Sheffrin says.

While he downplays the likelihood of the government reaching the debt ceiling, Sheffrin says just coming close to it could have lasting effects. The interest rate on bonds would go up, costing the government more to service any debt it incurs. Sheffrin doesn't expect that to happen and says the specter of a shutdown will not come to pass.

“The debt ceiling will be raised. Maybe in an ugly manner, with a lot of political blood on the floor, but it will be raised within six months.”