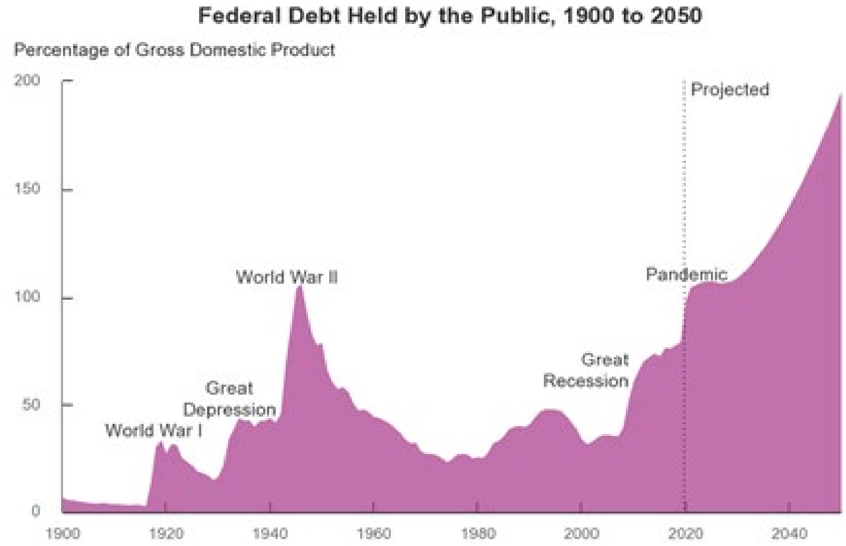
BLOG POST
Raising the Roof (Ceiling)
10/07/2021

Raising the government debt ceiling has become so commonplace over the last decades that even after the ceiling is reached there is little cause for concern. In the latest episode, the debt ceiling of $28.4 trillion was hit in July 2021 without hardly a mention by the media. Treasury Secretary Yellen has been using “extraordinary measures” to keep the government funded since then, but those measures are set to expire in mid-October. There is some political gamesmanship over how the US will avoid defaulting on its obligations, something no one expects to occur. The House recently passed, on a party-line vote, a bill to extend the limitation on borrowing until after the mid-term election to December 2022. All 50 Republican Senators are on the record opposing that legislation.

- To demonstrate the ‘non-issue’ of the debt ceiling, the longest government shut down of 35 days occurred in January 2019, and the S&P 500 was 10% higher at the end of the shutdown than when it began.

- The national debt appears to be a concern to about 52% of the electorate, according to polling from Hill-HarrisX in 2020, making a vote to increase the government’s debt politically risky for politicians.

- Those rooting for a government shut down might be ‘non-essential’ personnel who get furloughed during a shut down but always end up receiving any lost pay once the government reopens.



Source: CBO