



This week, Veronique de Rugy examines the recent history of the statutory limit on federal debt by pairing the changes in the statutory debt limit since 2000 (in red) with the corresponding debt subject to this statutory limit (orange). For 2011, a debt limit increase has been projected to correspond with the indications of Republican and Democratic leadership. Years in which the limit was raised a single time are noted by squares; years in which the limit was raised twice are noted by triangles.

The statutory debt limit legally caps, at an amount legislated by Congress, the amount of debt that the United States Treasury may issue. This limit is currently fixed at \$14.3 trillion and our rapidly accumulating debt burden is approaching the cap – as of last week, the outstanding debt subject to the limit was \$14 trillion. As federal debt nears this limit, there will be real consequences for the operation of the federal government. Once the debt limit is reached, the Treasury is unable to issue new debt to manage annual deficits or short-term cash flow issues; the government may not be able to pay its bills.

When it was instituted over 70 years ago, the statutory debt limit was intended to control Congressional spending by limiting the amount of debt that the federal government could accumulate. Clearly, it has not fulfilled its legislative purpose. In the last ten years, Congress has *increased the debt limit ten times*, raising the limit twice annually in 2008 and 2009.

This data provides evidence that the debt limit, far from providing its intended fiscal discipline, has recently served as a symbolic cap that Congress will simply push higher and higher as spending increases dictate.

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