

ECONOMIC POLICY

U.S. must raise debt limit by as early as June 1 to avoid default, Treasury says

The updated deadline comes less than a week after Republicans adopted a bill coupling an increase in the debt ceiling with spending cuts, defying a veto threat from President Biden



By [Tony Romm](#)

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The U.S. government could default “as early as June 1” unless Congress raises or suspends the debt ceiling, according to the Treasury Department, which implored lawmakers again on Monday to act swiftly to avert a fiscal crisis.

The new estimate followed less than a week after House Republicans delivered on their pledge to try to leverage the looming deadline to secure spending cuts, defying President Biden and officially touching off a political stalemate that could tip the fragile economy into another recession.

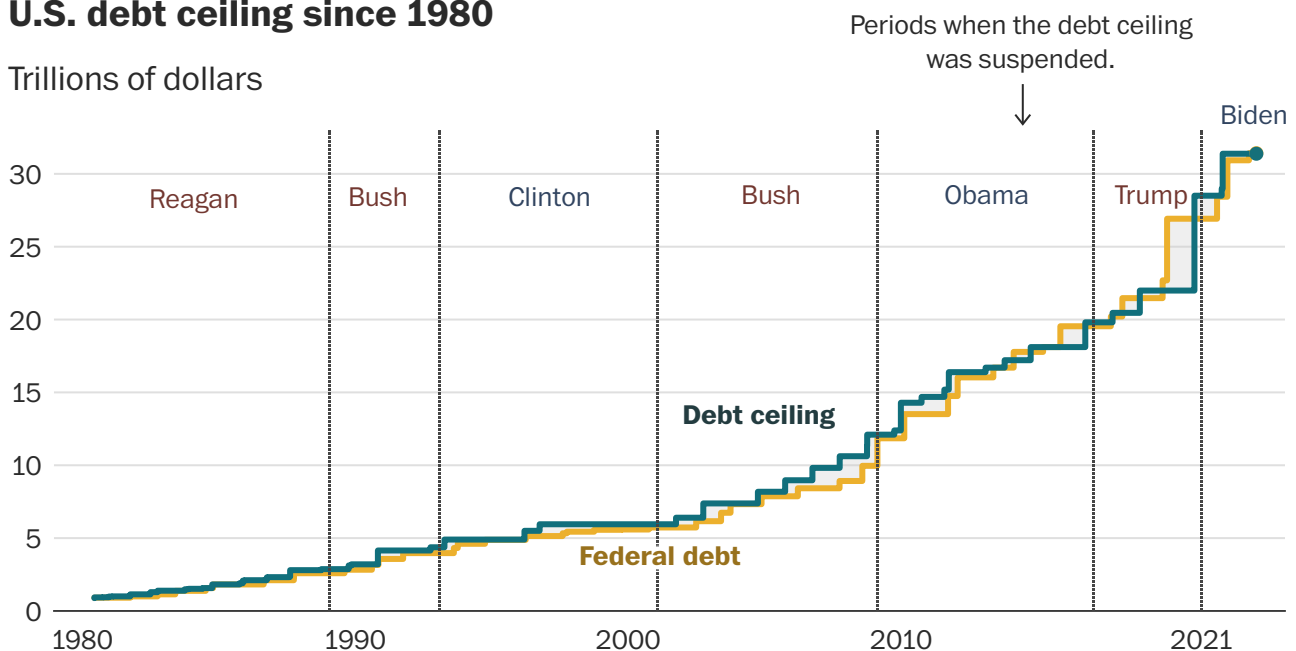
In a letter to lawmakers, Treasury Secretary Janet L. Yellen said the agency may be “unable to continue to satisfy all of the government’s obligations by early June, and potentially as early as June 1,” stressing the estimate is imprecise because of the variability of federal tax receipts.

Since January, the Biden administration has taken special budgetary maneuvers to avoid breaching the debt ceiling, the statutory limit on how much the U.S. government may borrow to pay its existing bills. Only Congress can lift or pause the legal cap, which currently is set at roughly \$31 trillion.

Repeatedly, Republicans raised the debt ceiling under President Donald Trump without including fiscal reforms, yet party lawmakers — now in control of the House in a time of divided government — have refused to afford the same support to Biden. Instead, House Speaker Kevin McCarthy (R-Calif.) has conditioned GOP support on their ability to achieve a lengthy list of policy demands.

U.S. debt ceiling since 1980

Trillions of dollars



Latest federal debt figure as of Jan. 18. All other debt is for the end of government fiscal year, Sept. 30.

Source: [Office of Management and Budget](#); [Treasury Department](#)

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In a bill adopted last week, House Republicans spelled out their agenda: They seek billions of dollars in spending cuts, the repeal of federal funds to fight climate change and pursue tax cheats, a set of new work requirements on welfare recipients and an end to Biden's plan to cancel student debts. McCarthy has portrayed the so-called Lift, Cut, Grow Act as a rejection of Biden's demand for a condition-free increase in the debt ceiling.

But the president has threatened the veto the measure, and Democrats in control of the Senate have refused to take it up, arguing it could inflict financial harm on American families. Biden and McCarthy still do not even have plans to meet for discussions, more than two months after their inaugural conversation, raising the odds of a fiscal catastrophe as soon as this summer.

Understanding the debt ceiling

What is the debt ceiling?

It's a restriction Congress has put on on how much money the federal government can borrow to pay its bills, which has been in place since 1917. Because the government usually spends more than it takes in, Congress needs to raise the debt ceiling fairly frequently to pay for its operations. (Sort of like a credit card bill.)

Speaking earlier Monday in the Rose Garden, Biden repeated his calls for lawmakers to raise the debt ceiling while blasting Republicans for what he characterized as "reckless hostage taking."

A failure to raise the debt ceiling could carry immense consequences: More than a decade ago, Republicans similarly engaged in such brinkmanship, spooking the stock market and triggering a downgrade in the country's credit rating, which ultimately cost taxpayers an estimated \$1 billion in higher interest rates on government bonds.

“We have learned from past debt limit impasses that waiting until the last minute to suspend or increase the debt limit can cause serious harm to business and consumer confidence, raise short-term borrowing costs for taxpayers, and negatively impact the credit rating of the United States,” Yellen warned Monday.

“If Congress fails to increase the debt limit, it would cause severe hardship to American families, harm our global leadership position, and raise questions about our ability to defend our national security interests,” she said.

This year, investors already have started to hedge against the potential for another disruption, shifting away from bonds that mature around the date of the debt ceiling deadline. In another ominous sign, Fitch Ratings, which evaluates debt, warned that persistent dysfunction could result in another U.S. credit downgrade.