Evidence Card: Arguments Against Banning Congressional Debt Limit Increases

Team Policy Evidence Sheet

Tag Line

Debt ceiling brinksmanship costs taxpayers higher interest rates and the only effective solution is Congressional action

Verbal Citation

"Debt ceiling brinksmanship has clear negative effects on taxpayers. Between mid-April and May 22, interest rates on Treasury bills maturing on June 1 rose from 4.4% to 5.7%. The premium investors demand is larger than during 2011 and 2013 standoffs. This increase in interest rates costs taxpayers even if a deal is reached." - Wendy Edelberg and Noadia Steinmetz-Silber, Brookings Institution economists, "The economics of the debt ceiling debate", May 26, 2023"If Treasury wanted to continue making interest payments without borrowing more money, it would have to cut non-interest spending by 35% or more." - Wendy Edelberg, Brookings Institution economist, "The economics of the debt ceiling debate", May 26, 2023"The economic effects of such an unprecedented event would surely be negative, but there is enormous uncertainty surrounding the damage to the U.S. economy if unable to pay all its bills." - Wendy Edelberg and Louise Sheiner, Brookings Institution economists, "The economics of the debt ceiling debate", May 26, 2023

What the evidence says in context

Brookings Institution economists demonstrate that debt ceiling brinksmanship directly harms taxpayers through increased borrowing costs. Research shows Treasury bill interest rates rising from 4.4% to 5.7% during debt ceiling crises, representing significant additional costs to taxpayers. The experts emphasize that raising the debt limit is not about authorizing new spending but rather paying for obligations Congress has already incurred. Analysis of potential workarounds to avoid debt ceiling conflicts reveals that such approaches either bring significant legal uncertainty or are not sustainable, making Congressional action the only effective solution.

Impact

Banning Congress from raising the debt ceiling would eliminate the only effective solution to managing government borrowing costs, while brinksmanship already imposes clear negative effects on taxpayers through higher interest rates. Treasury bill rates have risen from 4.4% to 5.7% during debt ceiling conflicts, representing substantial additional costs to taxpayers. Since raising the debt limit is not about new spending but paying for already-incurred obligations, preventing Congress from taking this action would force costly and unsustainable workarounds with significant legal uncertainty.

Webpage or Book Title

Brookings Institution

URL or page number

https://www.brookings.edu/articles/the-economics-of-the-debt-ceiling-debate/

Article Title if Applicable

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