

Raising the Debt Limit: A Disgrace

by [Rep. Ron Paul, MD](#)

Mr. Speaker, Congress is once again engaging in fiscal irresponsibility and endangering the American economy by raising the debt ceiling, this time by \$800 billion dollars. One particularly troubling aspect of today's debate is how many members who won their seats in part by pledging never to raise taxes, will now vote for this tax increase on future generations without so much as a second thought. Congress has become like the drunk who promises to sober up tomorrow, if only he can keep drinking today. Does anyone really believe this will be the last time, that Congress will tighten its belt if we just grant it one last loan? What a joke! There is only one approach to dealing with an incorrigible spendthrift: cut him off.

The term "national debt" really is a misnomer. It is not the nation's debt. Instead, it is the federal government's debt. The American people did not spend the money, but they will have to pay it back.

Most Americans do not spend much time worrying about the national debt, which now totals more than eight trillion dollars. The number is so staggering that it hardly seems real, even when economists issue bleak warnings about how much every American owes – currently about \$25,000. Of course, Congress never hands each taxpayer a bill for that amount. Instead, the federal government uses the people's hard-earned money to pay interest on this debt, which is like making minimum payments on a credit card. Notice that the principal never goes down. In fact, it is rising steadily.

The problem is very simple: Congress almost always spends more each year than the IRS collects in revenues. Federal spending always goes up, but revenues are not so dependable, especially since raising income taxes to sufficiently fund the government would be highly unpopular. So long as Congress spends more than the government takes via taxes, the

federal government must raise taxes, print more dollars, or borrow money.

Over the last three years, we have witnessed an unprecedented explosion in federal spending. The national debt has actually increased an average of \$16 billion a day since September 30, 2003!

Federal law limits the total amount of debt the Treasury can carry. Despite a historic increase in the debt limit in 2002 and another increase in 2003, the current limit of \$7.38 trillion was reached last month. So Congress must once again vote to raise the limit. Hard as it may be for the American people to believe, many experts expect government spending will exceed this new limit next year!

Increasing the national debt sends a signal to investors that the government is not serious about reining in spending. This increases the risk that investors will be reluctant to buy government debt instruments. The effects on the American economy could be devastating. The only reason why we have been able to endure such large deficits without skyrocketing interest rates is the willingness of foreign nations to buy the federal government's debt instruments. However, the recent fall in the value of the dollar and rise in the price of gold indicate that investors may be unwilling to continue to prop up our debt-ridden economy. Furthermore, increasing the national debt will provide more incentive for foreign investors to stop buying federal debt instruments at the current interest rates. Mr. Speaker, what will happen to our already fragile economy if the Federal Reserve must raise interest rates to levels unseen since the seventies to persuade foreigners to buy government debt instruments?

The whole point of the debt ceiling law was to limit borrowing by forcing Congress into an open and presumably somewhat shameful vote when it wants to borrow more than a preset amount of money. Yet, since there have been no political consequences for members who vote to raise the debt limit and support the outrageous spending bills in the first place, the debt limit has become merely another technicality on the road to bankruptcy.

The only way to control federal spending is to take away the government's credit card. Therefore, I call upon my colleagues to reject S. 2986 and, instead, to reduce government spending. It is time Congress forces the federal government to live within its constitutional means. Congress should end the immoral practice of excessive spending and passing the bill to the next generation.



November 20, 2004

Dr. Ron Paul is a Republican member of Congress from Texas.

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