**DEBT CEILING**

**NAME:**

**INSTITUTION:**

**COURSE:**

**MODULE:**

**LECTRURE’S NAME:**

**What is debt ceiling?**

1. It's the limit on how much money the federal government (U.S) can borrow. Or the limit on how much the federal government will be allowed to add to the total of cumulative debt outstanding from generations past. Debt ceiling; originally from Congress since 1917 in the beginning of World War 1, therefore it can be defined as the maximum amount of money the U.S Government can borrow to meet its financial needs.

**Functions of Debt ceiling**

1. It allows the government to meet its financial obligations such as social safety net programmes, interest on the national debt and salaries for government workers and members of the armed forces.
2. The debt ceiling sometimes is used as leverage to push budgetary agendas resulting in conflict between the White House and Congress, and even the more overall Economic Shutdown.
3. According to the Constitution, Congress must authorize borrowing. The debt limit was introduced so that the Treasury would not need to ask for permission each time it had to issue debt to pay bills.
4. The debt limit does not authorize new spending commitments. It simply allows the government to finance existing legal obligations that Congresses and presidents of both parties have made in the past.
5. It is generally acknowledged that a default would have a catastrophic impact on the US economy, which is why lawmakers tend to come to a last-minute agreement. Social Security recipients, members of the military, families with children, Medicare providers and holders of Treasury securities would likely not get paid.

**Is it mandatory to have a Debt ceiling?**

1. It’s not mandatory and [only a handful of countries have introduced one](https://www.atlanticcouncil.org/blogs/econographics/the-us-debt-limit-is-a-global-outlier/) to emphasize fiscal discipline to their lenders and investors. The US is one of only three countries to set its debt limit as a nominal value – the other two are Denmark and Kenya, although the latter is shifting to a limit as percentage of GDP.

**Number of times the Debt Ceiling has Been Raised**

1. According to the U.S. Department of the Treasury, the debt ceiling has been raised, extended, or revised 78 separate times since 1960. This occurred 49 times under Republican presidents and 29 times under Democratic presidents.

**Current debt ceiling**

1. The debt ceiling was raised to $31.4 trillion under President Joe Biden in 2021. Although spending officially reached that limit in January 2023, Congress suspended the debt ceiling until 2025.

**Bottom Line**

1. The debt ceiling was created to regulate U.S. government spending and to keep the U.S. government fiscally responsible. Since then, the debt ceiling has been raised or revised 78 times to avoid the possibility of default and keep the U.S. economy running, with no signs of Congress turning to other options.

**REFERENCES**

* **U.S. Department of the Treasury. “**[**Debt Limit**](https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit)**.”**

[Debt Limit | U.S. Department of the Treasury](https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit)

* **World Economic Forum**

[US debt ceiling: Everything you need to know | World Economic Forum (weforum.org)](https://www.weforum.org/agenda/2023/06/us-debt-ceiling-explainer-what-to-know/)

* **npr**

[The debt ceiling: What is it and what happens if Congress fails to raise it? : NPR](https://www.npr.org/2023/03/23/1163448930/what-is-the-debt-ceiling-explanation)

* **Investopedia**

[U.S. Debt Ceiling: Definition, History, Pros, Cons, and Clashes (investopedia.com)](https://www.investopedia.com/terms/d/debt-ceiling.asp#:~:text=The%20debt%20ceiling%2C%20or%20the%20debt%20limit%2C%20is,that%20the%20U.S.%20will%20default%20on%20its%20debt.)