**Debt ceiling**

Date :9/4/2025

Debt ceiling

Debt ceiling it is the debt limit ,a certain total amount of money that the government needs to borrow to the US treasury in order for it fulfil its obligations like military services, medical services, payments and other taxes. The need of debt ceiling is to limit the government’s ability to over stretch on funds used.

Debt ceiling has been rising many times from the past more specifically when there is a an economic challenge in the country that the government need money to bring back the economy to its status. An example is the US congress which has power to raise the ceiling. It raised the ceiling for 24 times since the year 2000, that was also accompanied by six times on 2008 for global financial crisis and another five times between 2019 and 2021 of the Covid-19 pandemic.( Dr Ben Zhe Wang 2023)

In the US the House of Representatives have been granted the power to pursue to set the debt limit which will later be approved by the senate and for the debt ceiling to come through the president as to finalise it by signing, as the its responsibility of the executive branch to enforce the law.(Rich Garling 2019)

In deed when there is imposition of debt ceiling it actually can lead to creation of long-run benefits of a lower debt burden at the cost of potentially short run which leads to increased tax buns and a net benefit in terms of welfare. The possibility of such kind of welfare is shown to be archived by introducing a balanced budget rule ([Azzimonti et al., 2016](https://www.sciencedirect.com/science/article/pii/S0176268020301440%22%20%5Cl%20%22bib6)).

Lowering the debt ceiling may make the government to raise the labour tax rate which compensate the loss of revenue from public bond issues. When lowering the debt ceiling it relieve the crowding-out effect for public debt which physically boost capital accumulation that eventually boost the interest rate. The government therefore sees the need to increase the public education expenditure since increasing the expenditure leads to increase the interest rates and therefore fights the negative effect.

There might be a rise of consequences when the debt ceiling are not raised .When the congress men do not agree on raising the debt limit before the measure are exhausted, there would be sever consequences for both federal government and the economy. When the federal government spends limited to incoming revenue it could be forced to delay the payments for the employees and payments to beneficiaries of government like military could delay or reduced. (Peterson 2025)

The amount of interest paid on the debt ceiling varies with government cost of borrowing overall size of debt and interest rates .When the nation default from the debt it may be more worsen. Government workers, social securities and many other people will be affected since they will not get their payment. Most of the financial markets could be severely hindered. (Neuman 2023)

 The government spends more money than the one it collects from taxes every year. In order for the government to manage this issue enhancing the difference it borrows money that accumulates over time.

Paying down debt ceiling is a good thing but paying down the debt rapidly could severely hinder the economy of a particular nation due to reliance of investments. This can lead to a market melt down like in US 2008.( Neuman 2023)

When the debt ceiling is not raised and the government fails to find a way to get money to complete its projects can lead to economic instability that could lead to financial crisis. The other emerging problem can be high borrowing cost which can make a country lose confidence in paying back the debts since the pay back interest may be very high compared to the borrowed money in order to compensate. (Llanos 2024)

At times reduced on the access to credit usually limits the government chance from borrowing money in the future .Investors may get reluctant on lending money to the particular nation .In some circumstances there may be rise of disruption of the nation services. This occurs when the government of a particular nation is unable to pay its bills, it will cause the delay or suspension of particular services. (Peterson 2025)

There is a difference between government shutdown and the debt default which many think they are mixed up since they do often occur at same time . Government shutdown is when the congress refuse or fails on additional spending to fund the government here the government services continue and the damage is limited. The debt fault is when congress fails to borrow an additional money this is in order for the government be able to continue paying its bills. (Horsley 2023)

REFRENCE

Dr B.Z.Wang Administration. (2023, June 2). *Please explain: What is a debt ceiling?* The Lighthouse. https://lighthouse.mq.edu.au/article/june-2023/please-explain-what-is-a-debt-ceiling

Garling, R. (2019). *What’s the point in abolishing the debt ceiling, if every time they pass a budget, they raise it?* Quora. https://www.quora.com/Whats-the-point-in-abolishing-the-debt-ceiling-if-every-time-they-pass-a-budget-they-raise-it

M. Azzimonti, M. Battaglini, S. Coate (2016)The costs and benefits of balanced budget rules: lessons from a political economy model of fiscal policy J. Publ. Econ., 136 (2016), pp. 45-61

Peterson Foundation. (2025, February 3). *Debt Ceiling Update: What’s at Stake*. Peterson Foundation. <https://www.pgpf.org/article/debt-ceiling-update-whats-at-stake/>

Neuman, S., Ahn, A., & Horsley, S. (2023, March 23). *The Fight over the Debt Ceiling Could Sink the economy. This Is How We Got Here*. NPR. <https://www.npr.org/2023/03/23/1163448930/what-is-the-debt-ceiling-explanation>

Llanos, C. (2024, June 7). *What is the debt ceiling?* Chase.com. https://www.chase.com/personal/investments/learning-and-insights/article/what-is-the-debt-ceiling

Horsley, S. (2023, May 25). *5 things people get wrong about the debt ceiling saga*. NPR. https://www.npr.org/2023/05/25/1177675684/debt-ceiling-limit-explained