

 **LETTER TO THE EDITOR**  
**THE DEBT CEILING vs.**  
**THE BUDGET:**  
**IT'S A "CHICKEN**  
**OR EGG" THING!**



By Stephen L. Bakke  July 28, 2014

*Here's what provoked me:*

*I got up this morning and read a naïve newspaper editorial about the ongoing effort by conservatives to put limits on the U.S. debt ceiling as part of the process of having a responsible budget process, and effective spending controls. The best analogy I can give is to ask this to any banker: "Would you authorize a credit line for an entity without understanding the implications of its spending budget and the maximum loan usage?" The answer would be: "Absolutely NOT!" I had to respond immediately with another letter to the editor!*

*Here's my response:*

**The Debt Ceiling vs. the Budget: It's a chicken or egg thing!**

Re: the 7-28-14 editorial, "The debt ceiling myth" – We agree that bipartisan effort is necessary "to smartly balance future budgets." But in your opinion it's an "incorrect notion" to try to rein in spending by limiting the nation's borrowing capacity. You use the phrases "gamesmanship over raising the debt ceiling" and "pull this misconception out by its roots."



I agree that debt doesn't increase until previous commitments are paid. But for the paper to imply that the U.S. borrowing limit is not related to its spending decisions is a concept you should retreat from. In fact, the tendency to deal with borrowing limits, budgets, and spending – each in a separate vacuum – has contributed to financial problems we now experience. Dealing separately with each leads to the common counterproductive political practice: Arguing about "what comes first, the chicken or the egg."

Any economic unit (individual, family, company, government) must consider all these factors. A credit limit (debt ceiling) effectively limits both the unit's budget and subsequent spending. Ask any banker: "Would you authorize a credit line for an entity without understanding the implications of its spending budget and the maximum loan usage?" The answer would be: "Absolutely NOT!" Determining a limit on any unit's ability to borrow is arguably the first thing to do when establishing future financial plans.

Remember what Cicero said in 55 BC: ***The budget should be balanced, the Treasury should be refilled, public debt should be reduced, (and) the arrogance of officialdom should be tempered and controlled.***