

POLITICS

Debt Ceiling Looms as Central Challenge for Divided Congress

Many in GOP say borrowing limit shouldn't be raised until Democrats agree to spending cuts

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Republicans are set to take control of the House, while Democrats will keep their Senate majority.
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WASHINGTON—With the passage of a \$1.65 trillion spending bill, Congress has averted the threat of government shutdowns until next September. Now lawmakers are bracing for an even bigger fight in the coming months over raising the government's borrowing limit.

Republicans will take control of the House in January, while Democrats will keep their Senate majority, ushering in a period of divided government. House Minority Leader Kevin McCarthy (R., Calif.) and other Republicans have said they would use any vote on raising the debt limit as a way to force Democrats to cut spending. President Biden and congressional Democrats are adamant that they won't allow Republicans to pressure them to cut federal programs.

That is setting up a potential game of chicken next year that could shake global markets if not resolved.



Sen. John Thune is skeptical that Democrats will be able to avoid negotiating on the debt ceiling.
PHOTO: AL DRAGO/BLOOMBERG NEWS

“We’re not negotiating, we’re giving them nothing,” said Sen. Chris Murphy (D., Conn.). “It is their responsibility as members of Congress to pay the bills of the federal government just like they pay their bills for their home.”

Sen. John Thune of South Dakota, the No. 2 Senate Republican, expressed skepticism that Democrats would stick to their vow not to negotiate on the debt ceiling, given the reality of a Republican-controlled House.

“It’s a dynamic that will create some challenges, but it might also create some opportunities, too,” Mr. Thune said.

Congress must periodically raise the debt ceiling to allow the Treasury Department to issue more debt to pay for existing obligations. If the ceiling isn’t raised, the Treasury would have to take steps including withholding pay of federal workers or delaying interest payments, which would constitute default.

In 2011, a conflict over lifting the debt ceiling under President Barack Obama sent stocks plunging and led to the decision of Standard & Poor’s to downgrade the U.S.’s credit rating for the first time. After the two parties failed to agree to structural budget changes during the crisis, they imposed limits on annual spending, known as sequestration, which they later repeatedly voted to ignore.

In recent months, to avoid a similar crisis, some Democrats pushed their party’s leadership to try to deal with the debt ceiling in the so-called lame-duck session

between November's election and the swearing-in of the new Congress on Jan.

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House Minority Leader Kevin McCarthy is championing spending cuts as a priority for the next Congress. PHOTO: EVELYN HOCKSTEIN/REUTERS

But Senate Minority Leader Mitch McConnell (R., Ky.) said in November that he didn't see the debt limit as an issue until 2023. Without the support of at least 10 Republicans in the 50-50 Senate, where 60 votes are needed to advance most legislation, the only path left to Democrats who wanted to raise the debt ceiling before the end of this year would have required them to use a process called reconciliation. That would have required all 50 Democrats to stick together through a lengthy series of politically painful amendment votes while also racing to finish the must-pass spending bill and annual defense-policy bill.

Senate Majority Leader Chuck Schumer (D., N.Y.) was confronted with a difficult decision on whether to try to tackle the debt ceiling while also getting other legislation finished, said House Majority Leader Steny Hoyer (D., Md.). "We wanted to do it," Mr. Hoyer said.

Mr. Hoyer said he expects there will be some sort of deal struck next year, with the help of Republican leaders, given the stakes. Mr. McConnell "has almost always, in the end, tried to be helpful," Mr. Hoyer said. "I don't know what Mr. McCarthy is doing on the debt limit. I choose to believe that he understands how irresponsible and catastrophic it would be" to risk a default, Mr. Hoyer said.

House Republicans have said cutting spending is a priority for the next Congress, an effort Mr. McCarthy has championed as he runs for speaker. In an interview with Punchbowl News before the election, Mr. McCarthy said Republicans would use raising the debt limit as a way to demand spending cuts. “You can’t just continue down the path to keep spending and adding to the debt,” Mr. McCarthy said.

He said that he wouldn’t predetermine whether Republicans might seek cuts to government benefit programs such as Social Security and Medicare, as some GOP lawmakers have proposed, through steps such as raising the eligibility age. The Commitment to America, released by Republicans before the election, mentions an effort to save and strengthen Social Security and Medicare, but doesn’t offer specifics.

At a press conference Thursday, Mr. Schumer said that raising the debt limit is going to have to be done in a bipartisan way. “The party that tries to hold up the government and demand something in return is gonna lose,” he said.

Mr. Schumer said that he hasn’t talked to Mr. McCarthy yet and that he is waiting until after speakership elections in early January.

Lawmakers from both parties have floated ideas to overhaul the way Congress deals with the debt ceiling.

Some proposals would eliminate the debt ceiling entirely, or raise it by an enormous amount. Other plans would allow the executive branch to raise the debt limit on its own, subject to a joint disapproval resolution by Congress. Another plan calls for automatically suspending the debt limit through the end of the following fiscal year if Congress passes a budget that reduces the nation’s debt levels by a certain amount.

Some Democrats have suggested that one way to circumvent House GOP leadership would be to file a discharge petition and force a floor vote to raise the debt limit. The rarely used procedure would require a majority of the total House membership, or 218 members, to sign on publicly, meaning Democrats would need a handful of Republicans to join them on the petition.

Members of both parties said they would be surprised if that approach worked

because the process takes weeks and the petition is public. As a result, the pressure on any Republicans to stay in line would be enormous.

“The consequence of somebody bucking party leadership would be immediate and painful,” with GOP leadership wielding the power to strip committee assignments or pull funds earmarked for projects in members’ home districts, said Rep. Don Beyer (D., Va.). “It would be hard for any Republican who wants to stay a Republican to do that.”

Exactly when the U.S. will become unable to pay all of its bills on time is difficult to determine. Pinpointing when the U.S. will exceed its authorized \$31.4 trillion in borrowing depends on the pace of government spending and tax collection, as well as economic conditions such as wage growth. In June, the Bipartisan Policy Center estimated that the U.S. would be able to pay its bills until July 2023 at least.

The debt limit is “the bear trap in the bedroom—there’s always the danger that one day we step into it,” Sen. Sheldon Whitehouse (D., R.I.) said. Mr. Whitehouse, a senior member of the Senate Budget Committee and possible chair in the next Congress, said he plans to work on that panel to try to come up with a plan to “disable the trap.”

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