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Forget the debt ceiling; worry about Deficit Day

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 **ASSOCIATED PRESS, FILE**

The U.S. Capitol building in Washington

by **By Antony Davies and James R. Harrigan**

On Nov. 3, the United States was scheduled to hit its debt ceiling — the self-imposed limit on how much the government can borrow. But, in a recent, and albeit rare, flurry of bipartisan cooperation, Congress has now suspended the debt limit until 2017.

Hitting the debt ceiling is always good political theater.

Democrats use it to advertise that we need to raise taxes, while Republicans use it to advertise that we need to cut spending. Keeping this in mind, everyone should be well aware that the ceiling itself has little meaning. It's less a ceiling than a low-hanging mist. Congress can hoist the ceiling as high as it likes, or remove it altogether, with a single vote — something it has done, on average, twice each year since the Nixon administration.

But just a few days after the debt limit was to expire, on Nov. 8, the country will celebrate a very real and very ominous limit — Deficit Day. On this day, the government spends the last penny it has collected for the year from income taxes, payroll taxes, corporate taxes, estate taxes, and all other taxes and fees combined.

While the debt ceiling attracts massive press coverage and threats of government shutdown, the debt ceiling is an artificial crisis. The hype around this artificial crisis means that few notice the real culprit — Deficit Day itself, which ultimately points to the scope of the United States' economic woes, both current and forthcoming.

From 12:01 a.m. on Nov. 9, until midnight on New Year's Eve, every dollar the federal government spends goes on the nation's credit card. Washington's spending is so much larger than its income that the government can't pay for the last 52 days of this year's operations.

This is not a one-time problem, of course. Washington ran out of money 50 days before the end of 2014, 72 days before the end of 2013, and a whopping 112 days before the end of 2012.

Simply put, we have a government that is too big for our economy to sustain. This year, the federal government will collect almost \$3.2 trillion from all revenue sources combined. This is about as much as it spent in 2008.

What is the obvious conclusion?

The U.S. economy today is just large enough to support the government we had in 2008. By extension, our economy likely won't be strong enough to sustain the government we have today until 2024. Of course, by 2024, we will have a much larger government.

Some politicians and economists would like for us to believe that the government's debt doesn't actually matter. Technically speaking, they are correct. It's the interest on the debt that matters, and the debt itself is irrelevant — until it isn't. And we are well past the point where the size of the debt is irrelevant.

The federal government officially owes more than \$18 trillion, but the official debt doesn't count unfunded liabilities. The government will not have the money to cover the retirement and medical benefits it has promised to current and future retirees.

How much is this figure? This is a matter of interpretation, but estimates range from the obscene (around \$90 trillion) to the astonishing (around \$200 trillion). The government currently pays about 2.4 percent interest on its debt. Using merely the obscene estimate, it would cost the government almost \$3 trillion annually to pay the interest on its debt and unfunded liabilities. That is, if the government had any intention of making good on those unfunded liabilities. But it doesn't, and it can't.

Three trillion dollars is almost the total amount of money Washington collects in a year. If we count its unfunded liabilities, the federal government is currently bankrupt. The fact that politicians refuse to discuss bankruptcy tells us that, when push finally does come to shove, they will simply vote not to pay those liabilities.

The debt ceiling gets all the press, but it is Deficit Day that really matters. Year after year, Congress spends more money than it has, and the annual deficit just keeps growing past the point of sustainability.

The question is not whether the federal government will go bankrupt, but rather, what novel spin politicians will employ to hide the fact that it is. And Congress will not be able to change that sad fact by passing yet another extension for itself when that day finally comes.

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