# Op-Ed: Time for Congress to Let the Market Set the National Debt Level

- Some analysts believe the odds are high that Congress will fail to raise the debt ceiling and pass a spending bill.
- The debate has focused on how high the debt ceiling should be rather than why the U.S. has such a limit in the first place and why Congress gets to set it.

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In exactly a week Congress will be back in session, and raising the debt ceiling is high on the priority list. While Senate Majority Leader [Mitch McConnell] and the GOP leadership in the House have indicated that a clean raising of the ceiling is a foregone conclusion, some on the right, including the president, beg to differ.

As the Sept. 29 deadline nears, some analysts believe the odds are quite high of a government shutdown as a result of a failure to raise the limit and pass a spending bill.

What is most interesting, however, is that much of the debate and discussion regarding the debt limit on both sides of the aisle and among economists has focused on the dollar amount of the limit and how much or whether to increase it. There is almost no discussion about why we even have a limit to begin with, and why Congress gets to set it.

According to the U.S. Treasury, in the 57 years since 1960, the limit has been raised 78 times. In recent times, the debate has taken on an increased noise level around the deadlines. But each limit increase involved a significant amount of time, resources, debates and discussions among policymakers that otherwise could have been spent on other concerns.

Only a handful of other countries have such limits, and none of them is a large economy like the United States.

Initially the limit was a step forward in the evolution of how the Treasury financed itself. From the birth of the republic to the dawn of the 20th century, the government was essentially financed the way companies and institutions today finance their projects. Every time the government needed money, Congress would pass an act authorizing such spending and setting terms such as the interest rate, maturity and early redemption clauses.

But as the role of the government evolved in the gilded age of robber barons and imperialism, Congress gradually delegated more authority to the U.S. Treasury. In 1917, as our involvement in World War I became increasingly costly and complex, Congress gave the Treasury an explicit target for how much it could borrow by category of borrowing and allowed the department to determine everything else.

By 1939 Congress broadened the limit coverage to the entire national debt, but since then not much has changed. For nearly 80 years we have been under the same regime, yet global financial markets in general and the role of government debt markets specifically have evolved immeasurably.

Financial markets have been deregulated, globalized and broadened, and financial instruments have been transformed in their applications, marketability, liquidity and transparency.

The well-planned and organized periodic auctions of Treasury bills, notes and bonds have already delegated the question of cost to the free markets. It is time for Congress to further delegate authority and this time permit the free markets to be the arbiter of how much debt is enough for the U.S. at the national level.

Such delegation would provide Congress and the rest of the government with more efficient signals regarding spending levels, budgetary planning and the costs of financing, rather than artificially setting limits and deadlines. So long as we do not constrain the markets they will signal their comfort and discomfort with the debt level in an efficient and timely manner.

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