The Federal Debt Ceiling

A specter that has been putting in an appearance more or less regularly every year now since 1953 is again back to haunt the Administration. That is the problem of keeping the public debt within the debt ceiling—a problem that will be additionally complicated in the present fiscal year at least by the prospect of a very substantial budget deficit.

The debt ceiling is a comparatively new instrument of fiscal control in this country. In 1938, with the debt then standing at what many regarded as the dangerously high level of $37 billion, Congress acted to discourage future reckless spending by setting a limit on the debt of $45 billion. During the ensuing eight years, most of which were marked by war or preparation for war, Congress had little choice but to revise this limited ceiling upward when such action was requested by the President. The ceiling was lifted five times in that period, until it reached $300 billion in 1945. A year later it was revised downward for the first time to its present level of $275 billion.

With the debt pressing against the ceiling, as a result of post-Korean rearmament program, President Eisenhower proposed in 1953 that the Government be given more elbow room in meeting its finance requirements, but Congress put its foot down. The great problem of the Treasury that year and in the years since then has been to get past the lean period of the year, from December through February, when receipts are at their lowest. This has been "solved" since 1953 by authorizing temporary increases, usually of $5 billion, in the ceiling. In the face of the much more serious situation that it now faces the Administration is proposing that the present debt limit be raised to $285 billion, with an additional $3 billion on a temporary basis.

It is difficult to see how such a request can be refused. The fact remains, nevertheless, that this situation might have been avoided had the budgetary policies of the Administration during the recent boom years called for substantial surpluses, rather than surpluses that were surplus in name only.

The New York Times
Published: July 26, 1958