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Kevin McCarthy's Debt-Ceiling Marker

The Speaker can only win a showdown if the House GOP stays united.

By [The Editorial Board](#) **April 17, 2023 6:46 pm ET



Addressing the NYSE, House Speaker Kevin McCarthy rejected President Biden's push for further debt, outlining a 3-point fiscal path that 'limits, saves and grows.' Images: Bloomberg News Composite: Mark Kelly

Washington is cruising toward another showdown over the federal debt ceiling, and Americans can be forgiven for turning the channel. But House Speaker Kevin McCarthy laid out the House Republican offer on Monday, and it might even succeed if the GOP can stay united.

"Debt limit negotiations are an opportunity to examine our nation's finances," Rep. McCarthy said in a speech at the New York Stock Exchange, and the picture isn't pretty. U.S. debt held by the public is more than \$25 trillion. Spending as a share of the economy is 23.7%, the Congressional Budget Office reported in February, and rising to 24.9% by 2033, a level reached only twice since 1946—in 2020 and 2021 when Congress shoveled money into the pandemic emergency.

President Biden and Democrats in Congress ladled \$6 trillion more onto the national debt in a mere two years on everything from electric car subsidies to an IRS blowout. America will spend \$10.5 trillion in the next decade on interest payments alone, Mr. McCarthy noted.

Amid this grim scene, Mr. McCarthy has a fair opening offer for President Biden. One: "Defaulting on our debt is not an option." Two: House Republicans won't pass an increase in the federal debt without reforms or spending restraint. "A no-strings-attached debt limit increase cannot pass," he said, in a red line amid all the red ink.

The Speaker's requests are hardly radical. Republicans want to return the federal government to the spending levels of the bad old days in . . . fiscal 2022. They then want to cap the growth of spending at 1% annually over 10 years for domestic discretionary accounts. These are reasonable limits after the spending sprees of recent years.

The negotiating weakness is that Mr. McCarthy didn't distinguish between defense and social-welfare priorities, which suggests that defense could take a hit. A plurality of his caucus won't abide cutting the Pentagon budget when China is

building a menacing military and U.S. defense spending is only 3% of the economy, a historical low.

The Speaker was also at pains to say Social Security and Medicare won't be touched. This is a concession to the political reality of controlling only one half of one branch of government, though there's no path to long-term fiscal sanity without reforming entitlements.

The other GOP priorities are energy and permitting reforms that passed the House recently with four Democratic votes, and a work requirement for able-bodied adults between 18 and 59 in return for food stamps or Medicaid. They also want to claw back Covid emergency money that hasn't been spent now that the pandemic is over.

The challenge for the Speaker is that President Biden refuses to negotiate and has refused even to talk since they last met 75 days ago. Mr. Biden wants to run out the clock until the debt limit is reached, then predict a cataclysm, and assume the GOP majority will panic and pass an increase without any reform. He knows most of Wall Street and the press will be on his side, never mind the financial merits.

In other words, Mr. Biden wants to come close to a debt crisis without triggering one. This is a risky game, and Mr. McCarthy warned that Mr. Biden could "bumble into the first default in our nation's history."

The trillion-dollar question is whether Mr. McCarthy can keep his narrow majority together against this combined assault. If he can pass a debt-ceiling increase with reforms, he'll be in a stronger negotiating position. If he fails, he'll bring a rubber knife to an alley fight.

Default shouldn't even be on the table because the debt ceiling is in many respects a fake cliff. More than enough revenue will continue to flow into the Treasury to pay interest on the debt and priorities like Social Security. The Treasury Secretary can prioritize those payments, and some legal observers say she has a legal obligation to do so under the 14th Amendment. Other parts of the government might operate at reduced capacity for a time, but that has happened before.

It shouldn't come to that. Mr. McCarthy says he wants a "reasonable negotiation," and a reasonable President would meet him part way. The Speaker will have to keep his nervous caucus together to pass a debt-ceiling bill, and then to accept that it won't get everything it wants. But winning even one or two of his debt-ceiling proposals would be a big victory. If Republicans can't stick together, they'll lose in a rout.

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