

From Debt Ceiling Showdowns to Service Slowdowns: Understanding the Connection

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Introduction

The debt ceiling is a statutory limit Congress places on the total debt the federal government can incur. For decades, Congress has repeatedly increased the debt limit so the U.S. does not default on—that is, fail to pay—its debts. However, in recent years, some lawmakers have used debt ceiling negotiations as leverage to force federal budget cuts that harm vulnerable communities. This explainer describes the manufactured connection between the debt ceiling and spending cuts.

The Debt Ceiling is Not Inherently Connected to Program Cuts

Congress allows the Treasury Department to manage the federal debt as long as the total debt stays below a statutory limit that Congress sets. This statutory limit is what we know as the [“debt ceiling.”](#) Congress usually votes on that limit separately from the programs that require issuing more federal debt. These separate votes allow Members of Congress to vote *against* “increasing the debt” while voting *for* record military spending and deficit-financed tax cuts for the wealthy. **The debt ceiling does not prevent the government from enacting programs that increase U.S. debt, nor does it require the government to enact programs that reduce the debt.**

Nonetheless, the threat of defaulting on U.S. debt has become a powerful political tool for lawmakers seeking spending cuts to federal programs and services like healthcare, education, and childcare¹. A 2011 showdown between Congress and the White House over the debt ceiling provides an instructive example of this phenomenon and its consequences for the public.

The 2011 Debt Ceiling Crisis: A Case Study

As the federal government approached the debt limit in 2011, President Barack Obama and the Republican-controlled House of Representatives entered a long battle over raising the debt ceiling. [The House sought to pair](#) the debt limit increase with cuts to federal programs and services. The negotiations resulted in the [Budget](#)

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For more information on the threat posed by a debt default, see the Congressional Progressive Caucus Center’s explainer, [Manufactured Crisis: The Debt Limit in 2023](#).

[Control Act \(BCA\) of 2011](#), which avoided a default, dramatically cut spending, and set up a mechanism for future spending cuts.

Below are a few examples of the impact the BCA had on programs families depend on for access to education, housing, and other critical support.

- **[Social Security](#)**: The Social Security Administration's operating budget dropped 13 percent between 2010 and 2021, despite the number of beneficiaries expanding by more than 20 percent. As a result, the agency could not determine whether people were eligible for benefits or respond to inquiries from beneficiaries promptly.
- **[Education](#)**: Federal aid that supports disadvantaged children and students with disabilities in K-12 schools fell by 11 percent between 2010 and 2021. Pell Grants became less valuable for students to cover the cost of higher education, covering only 29 percent of tuition and housing costs during the 2020-2021 school year compared to 34 percent in 2010-2011.
- **[Tax enforcement](#)**: Funding for the Internal Revenue Service fell by almost 20 percent between 2010 and 2021. This prevented the agency from investigating ultra-wealthy tax evaders, resulting in an estimated \$7.5 trillion in lost revenue.
- **[Housing](#)**: Funding for public housing fell by 21 percent between 2010 and 2016. In addition, reduced funding for rental assistance vouchers resulted in tens of thousands of families losing assistance.
- **[Environmental Protection](#)**: The BCA slashed the Environmental Protection Agency's operating budget to implement clean air programs and remediate contaminated property by a quarter between 2010 and 2017.

As these examples demonstrate, deficit-hawk lawmakers' insistence on spending cuts in exchange for avoiding default in 2011 impacted vulnerable communities like children, seniors, and low-income families for years after the showdown.

Conclusion

Lawmakers have used the debt ceiling as a bargaining chip to demand cuts to crucial services and programs that support vulnerable communities. Unfortunately, these communities were harmed not because the law requires cuts to raise the debt ceiling but because lawmakers chose to manufacture a connection between the two. Rather than perpetuate a cycle of debt ceiling confrontations and the damaging cuts to essential services that follow, [Congress could end them entirely](#). Ending this manufactured crisis would maintain the United States' full faith and credit, while prioritizing the well-being and prosperity of all its citizens.

To learn more about the debt ceiling's history and ways to address it long-term, check out [Manufactured Crisis: Understanding the Debt Limit](#) and [Manufactured Crisis: The Debt Limit in 2023](#).