ECONOMIC VIEW

Above the Debt Ceiling, Boehner Might Find a Blue Sky

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Published: January 12, 2013

ALTHOUGH he has been re-elected as House speaker, John Boehner is in danger of becoming irrelevant to the crucial economics discussions that must occur over the next few months.

A valuable principle of negotiation is to “never bargain with someone who does not have the power to say yes,” and Mr. Boehner has demonstrated that he lacks that power. He couldn’t even persuade his caucus to agree on a Plan B counterproposal and had to let Vice President Joseph Biden and Senator Mitch McConnell, the minority leader, steer the deal that avoided, or at least postponed, the so-called fiscal cliff.

I have a suggestion for how Mr. Boehner could have himself invited back to the negotiation party. But first, let’s take stock of where we are.
What has been accomplished, for better or worse, is that the Bush-era tax cuts for families earning less than $450,000 a year have been made permanent — or at least as permanent as anything in the tax code can be. Those earning more than $450,000 face a tax increase. There are further complications, of course, but the important thing is that there was no substantive tax reform, and no decisions about spending. The final bill even preserved the tradition of corporate welfare by extending a subsidy to Nascar.

Over the next few months, Congress faces a new series of deadlines:

The spending cuts mandated by the sequestration will begin on March 1, unless Congress delays them again. Congress needs to pass a “continuing resolution” or government will shut down, as it did in the 1990s during the standoff between Bill Clinton and Newt Gingrich. And, finally, the debt ceiling will need to be raised or the government will no longer be able to pay its bills to Social Security beneficiaries, the military or the owners of government bonds — a group that includes nearly everyone with a retirement account.

I have listed these deadlines in increasing order of their hazard to our economic health. The spending cuts would be tough and arbitrary but gradual. Incurring them for a couple of months would be bad, but not horrible. Closing down the government is more serious. And even if you’d like a smaller government, you probably still want essential services to continue.

Of the three, the debt ceiling is likely to arrive first and is simultaneously the most serious and the most ridiculous. It’s serious because it’s unthinkable that the government would stop paying its bills, and the ramifications if we defaulted on our debt payments would be catastrophic for the nation and the global economy. We don’t even want to think about going there.

But the debt ceiling is also ridiculous, because the law is redundant. It’s a tradition for members of Congress who aren’t in the same political party as the president to make sanctimonious speeches against raising the debt limit, to keep that president from running up big bills. Yet it is Congress, in fact, that determines how much we spend and how much tax revenue we collect. Our representatives and their predecessors passed the bills and authorized the spending that got us to this place. If they want to reduce the deficit, they should cut spending, increase revenue, or both. But what they should not do, under any circumstances, is to look back at the decisions they have already made and conclude that it would be smart to declare the United States bankrupt, thus creating a second global financial crisis.
Which leads to my proposal for restoring Mr. Boehner’s relevance: He should propose that the debt ceiling be raised for at least two years or, even better, propose that it be abolished. He wouldn’t need a majority of his own party to vote for such a bill, of course, because it would have wide support among Democrats. He would just have to propose it and persuade some of his colleagues to support it. That would be enough.

Here is why I think this is a good idea, for him, the Republican Party and the country:

Congress has plenty of incentives to make a deal on spending. Taxes have already been increased and Republicans are eager to even the score. The sequestration-induced spending cuts coming on March 1 should provide more than enough impetus for Congress and the president to agree to something, even if it’s only a plan to undertake serious tax reform and a comprehensive evaluation of all government spending. By removing an option that we should never rationally use, we can immediately accomplish an often-cited Republican goal — reducing global uncertainty — and likely restore our triple-A credit rating. The Bipartisan Policy Center has estimated that the dillydallying about the debt ceiling last time, which ticked up interest rates, will end up costing more than $18.9 billion over 10 years, about the same amount as the recent Medicare “doc fix,” which blocks cuts to doctor reimbursement rates.

Tea Party conservatives would undoubtedly be outraged by this suggestion, arguing that Republicans need to retain the debt ceiling threat if they are to get the best possible deal from the Senate and the president. But taking this crazy threat away from a group that just might use it is precisely the point.

By undertaking this act of unilateral disarmament, Mr. Boehner and whichever Republicans had the courage to join him would be signaling that they’re willing to engage in the serious discussions the country needs, and to put pressure on Democrats to do likewise. Anyone who has a large bomb and is threatening to push the button doesn’t deserve to be a party to these discussions.

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