

## Don't Fret DC Debt Drama

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Think that title sounds familiar? It is. We've been here before. And, as before, the "debt ceiling" is a gold mine for some politicians, journalists and analysts. A possible government shutdown, or reaching a "hard" debt ceiling, are both fun for pessimists to talk about.

It seems to happen every couple of years and, as we've always said in the past, any dire warnings you're hearing are completely overblown.

Just to make it clear up front, it's important to recognize that a government shutdown and a debt default are not the same. Although it's theoretically possible for both to happen at the same time, they really are different kinds of events.

A government shutdown happens when a president and Congress fail to agree on a budget, or a "continuing resolution" – which funds government agencies until a budget is passed.

But much of government is on autopilot. Even with no budget, taxes still get paid (unfortunately) and debt payments still get made. The military still operates, as does Border Control and air traffic control. "Essential" government workers still go to work and get paid. Checks still get churned out for Social Security, Medicare, Medicaid, Food Stamps, and other entitlements. And "non-essential" government workers usually

get paid back for the time they didn't come to work. In other words, a government shutdown is not catastrophic.

Hitting a hard debt ceiling and missing payments to bond holders is a more serious issue. But, it's highly unlikely to happen and we're confident the Treasury Department would find a way to prioritize payments.

Tax receipts are more than enough to cover debt payments; instead, Treasury can delay payment to federal government vendors. Some liberals say delaying payments to vendors is the equivalent of a "default" but they're just playing word games. If this were true, Illinois would already be in "default" since it has billions of dollars of unpaid bills.

All this being said, we think in the end that the debt limit will be raised by late September. Ideally it would include policy changes that limit future government spending, but we're guessing that's a hope that won't materialize this time around, at least through the debt limit process.

After eight years of recovery, the government should be arguing about what to do with its surplus. The real problem isn't hitting the debt ceiling, it's the fact that government is too darn big. What really matters is policy changes on taxes, spending, and regulation. The political class won't let the money run out.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
8-30 / 7:30 am	Q2 GDP Preliminary Report	2.7%	<b>2.8%</b>		2.6%
7:30 am	Q2 GDP Chain Price Index	1.0%	<b>1.0%</b>		1.0%
8-31 / 7:30 am	Initial Claims – Aug 26	237K	<b>238K</b>		234K
7:30 am	Personal Income – Jul	+0.3%	<b>+0.3%</b>		0.0%
7:30 am	Personal Spending – Jul	+0.4%	<b>+0.4%</b>		+0.1%
8:45 am	Chicago PMI	59.2	<b>61.6</b>		58.9
9-1 / 7:30 am	Non-Farm Payrolls – Aug	180K	<b>189K</b>		209K
7:30 am	Private Payrolls – Aug	170K	<b>179K</b>		205K
7:30 am	Manufacturing Payrolls – Aug	10K	<b>10K</b>		16K
7:30 am	Unemployment Rate – Aug	4.3%	<b>4.3%</b>		4.3%
7:30 am	Average Hourly Earnings – Aug	+0.2%	<b>+0.2%</b>		+0.3%
7:30 am	Average Weekly Hours – Aug	34.5	<b>34.5</b>		34.5
9:00 am	ISM Index – Aug	56.5	<b>56.6</b>		56.3
9:00 am	Construction Spending – Jul	+0.5%	<b>+0.1%</b>		-1.3%
9:00 am	U. Mich Consumer Sentiment- Aug	97.4	<b>97.6</b>		97.6
Afternoon	Total Car/Truck Sales – Aug	16.6 Mil	<b>16.5 Mil</b>		16.7 Mil
Afternoon	Domestic Car/Truck Sales – Aug	13.0 Mil	<b>12.8 Mil</b>		12.9 Mil