

## [Poking holes in America's debt ceiling](#) [1]

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The Americans, in an attempt to bring their public finances under control, have an absolute 'debt ceiling' ? they can't legally borrow more than that. Last year it was set at the eyewatering level of \$14.3 trillion, after [dozens of increases since 1940](#) [3]. Well, the bad news is that the US economy hit its head on that ceiling yesterday. Worse yet is that there's going to be some fudging on the issue: Treasury Secretary Tim Geithner has found a way to put off the crunch date until August.

One should never underestimate the power of fudging in politics. Whatever mast you tie yourself to, there is always some way of slackening the knots just a tad. The same will no doubt happen with Greece, which was given a Eurozone bailout to buy time to sort out its finances. Yet its finances remain visibly unsorted: Greece's national debt is expected to hit 157.7% of GDP this year.

With strikes and demonstrations protesting against budget cuts, there are really only two likely outcomes: Greece defaulting on its debts, so that its creditors don't get all their money back; or more bailouts, coming principally from the only Eurozone country that can afford them, Germany. As for real budget reform in Greece, dream on.

You would think that fudging along cannot work forever, and I am sure it can't. But as Adam Smith observed, 'there is a great deal of ruin in a nation'. And a great deal of fudging seems to be possible before the inevitable disaster happens. Trouble is, the more fudge you have covered yourself in, the harder the clean-up afterwards.

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