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Debt Limit Default Is Default, Even Under a "Prioritization" Scheme

By Richard Kogan

A number of Republican members of Congress have introduced legislation over the past dozen years that would authorize Treasury to prioritize certain payments if the federal government reached the debt limit, which would prevent Treasury from meeting its legally binding obligations in full because it would be unable to borrow. With the U.S. likely to reach the debt limit later this year, some Republicans are again proposing prioritization plans. But debt-limit prioritization proposals are dangerous. Prioritization is still default, just by another name.

Defaulting on the nation's obligations would hurt the people of the United States, both directly as payments are delayed or reduced and by seriously harming the economy.[1] Proposing to prioritize certain payments is merely an attempt to lessen *some* of the harm to *some* of the people. But it would increase the harm to those not favored, while still failing to provide protection from default's widespread fallout even for those who are theoretically being protected. For instance, if Social Security payments were prioritized, beneficiaries would still not be shielded from the damaging economic effects of default nor the delay or reduction in Medicare, Medicaid, and Supplemental Security Income benefits that many of them also receive.

Lawmakers shouldn't fool themselves: prioritization cannot avert financial chaos or soothe creditors. They should repeal the debt limit, suspend it for a considerable period, or at a minimum raise it to a level where the government does not risk defaulting on *any* of its obligations.

[1] For example, on February 1 of this year, the *New York Times* quoted Federal Reserve Chair Jerome Powell: "There is only one way forward" on the standoff over the debt limit, Mr. Powell said: Congress must raise it. "No one should assume that the Fed can protect the economy" if lawmakers fail to raise the limit, he added. https://www.nytimes.com/live/2023/02/01/business/fed-interest-rates-inflation.

On January 20, Bloomberg Government quoted Treasury Secretary Janet Yellen: "A failure to make payments would 'undoubtedly cause a recession in the US economy,' Yellen said in an interview on CNN International Friday. 'Many people would lose their jobs and certainly their borrowing costs would rise.'" Christopher Condon and Mackenzie Hawkins, "Yellen Warns of Recession as Inevitable if US Defaults on Debt," Bloomberg Government, January 20, 2023, https://www.bloomberg.com/news/articles/2023-01-20/yellen-says-treasury-system-not-built-to-prioritize-certain-debt#:~:text=Treasury%20Secretary%20Janet%20Yellen%20said,%E2%80%9Cundoubtedly%E2%80%9D%20trigger%20a%20recession.

The Dangers of Prioritization

Once the federal government reaches the debt limit, it can no longer borrow to meet its obligations and can only make payments from cash deposits it receives. But, as we explain below, incoming receipts can vary dramatically month by month and day by day, and are not aligned with the timing of payments. When the deposits don't provide sufficient cash, then the federal government would not be able to make payments to cover all of what is owed until sufficient cash becomes available.

The many budget statutes that design the government's various spending programs provide no guidance on what order payments should be paid, nor should they. Treasury makes payments when they come due; it has no legal authority to prioritize one payment over another. A number of Republican policymakers have proposed to legalize prioritizing — picking winners, who would supposedly be paid on time and in full if the federal government reached the debt limit, while others would not (see box). But prioritization would have at least six flaws:

1. By appearing to make defaulting legitimate and manageable, prioritization would heighten the risk that a default will occur. And if it did occur, prioritization would heighten the risk that default would last longer.
2. Under prioritization, the programs on the "winners" list would have first claim on incoming deposits, so all other programs would have their payments delayed even longer or cut even more deeply than if there were no prioritization.
3. The damage to the economy from a deep and sudden reduction in federal payments — that is, by halting payments whenever making them would require additional borrowing — would not be reduced by favoring one set of payments while reducing all other payments even more deeply.
4. If default and prioritization lasted for an extended period, payments for programs not on the winners list would fall ever further behind; they would not catch up until the debt limit was ultimately repealed, suspended, or raised sufficiently.
5. Prioritization schemes put those who hold U.S. Treasury securities in the winners list on the hopes that if these bondholders are paid, credit markets wouldn't seize up and trigger a major recession. But bondholders are nonetheless likely to be concerned that the full faith and credit of the U.S. is no longer assured and that their favored status will be politically perilous, which could raise interest rates (increasing government costs of borrowing) and lead to restrictions in credit across financial markets.
6. In any case, prioritization is based on the faint hope that the government is capable of implementing such a law, when in most or all cases, that's very doubtful.

Is Prioritization Even Possible?

Let's start with the sixth point: many experts have said that prioritizing, even if made legal, is a practical impossibility under current technology and systems. The government's current payment system is designed to pay bills in the order in which they come due, and relies on quite old technology that cannot be easily or quickly updated. The Treasury makes hundreds of millions of separate payments each month, the Bipartisan Policy Center estimates, so deciding which bills to pay would be extremely difficult. Indeed, Treasury Secretary Janet Yellen and some of her predecessors doubt that the current systems are capable of prioritizing among its daily payments even if such a requirement existed.[2]

- In 2011, then-Treasury Secretary Timothy Geithner wrote, "the idea of prioritization has been rejected by every President and Secretary of the Treasury who have considered it. … It is unwise, unworkable, unacceptably risky, and unfair to the American people."
- In 2013, then-Treasury Secretary Jacob Lew testified, "You cannot go into those systems and easily make them pay some things and not other things. They weren't designed that way because it was never the policy of this government to be in the position that we would have to be in if we couldn't pay all our bills."
- In 2014, then-Assistant Treasury Secretary Alistair Fitzpayne stated that prioritization "would be entirely experimental and create unacceptable risk to both domestic and global financial markets. As we have repeatedly stated, this would mean that the United States would default on its obligations, including to senior citizens, veterans, and members of the military."

And the Bipartisan Policy Center concluded in 2021 that "given the sheer number of daily payments, prioritization of any obligations beyond interest and principal on the debt would require a massive — and potentially impossible — overhaul and reprogramming of the Treasury Department's computerized payment systems. This would be unlike any prior operation. To believe that the federal government could pull such an effort off seamlessly with limited time for preparation requires a lot of faith in the bureaucracy. Even if prioritization is feasible, errors would be certain…"

Prioritization Would Make Losers Even Worse Off

Prioritization would make things worse for the many millions of people, businesses, and nonprofit service providers counting on timely federal payments — if it were even possible to administer, which is doubtful.

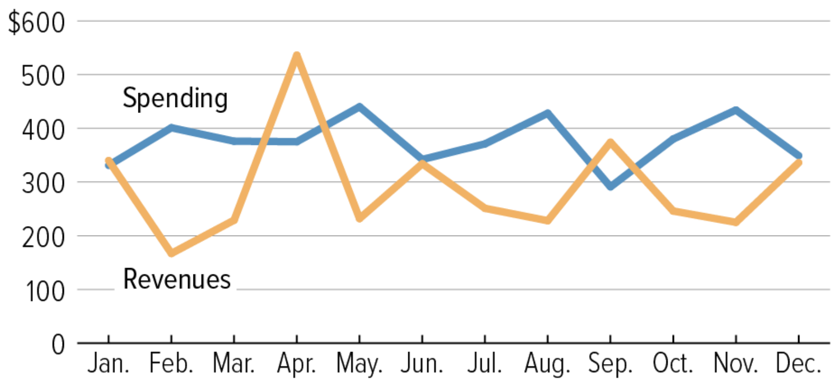
In 2023, an estimated one-fifth of government payments will be financed by borrowing. But in any particular month it can be much higher or lower, as shown by the chart of revenues and spending in 2019 — a year with no especially unusual economic features and before the COVID-19 pandemic hit. For example, April 2019 was a surplus month, as is typically the case, but in February more than half of payments were financed by borrowing and in May, August, and November almost half were. (See Figure 1.) And on any given day the share could be higher still. On days with considerable cash deposits but relatively few cash withdrawals, the payment queue would get shorter, on most days the queue would get longer, and over time the queue would grow because the government is running a deficit.

[2] For citations to these quotations and to additional ones about prioritization, see the Appendix.

FIGURE 1

Federal Goverment Revenues and Spending Vary Greatly From Month to Month

2019, in billions of dollars



Source: Monthly Treasury Statements

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If payments to bondholders and Social Security beneficiaries were favored, as many of the prioritization bills propose, even less cash would be left on hand, forcing further delays or reductions in other payments. This would affect people across the country — including families with low incomes and retirees; active-duty military and veterans; government employees; and those who benefit from state and local services. The federal government would likely be forced to delay or reduce payments to:

- veterans' compensation and pension benefits or the doctors, nurses, and private-sector health providers of the Veterans Administration health care system;
- doctors and hospitals who treat Medicare patients;
- active-duty and retired military;
- defense contractors who supply goods (from computers and paper to tanks and aircraft) and services to the military;
- beneficiaries of economic security programs such as SNAP (formerly known as food stamps), Pell grants, the premium tax credits that subsidize the Affordable Care Act's marketplace health insurance plans, foster care, unemployment insurance, housing assistance, and Supplemental Security Income;
- grants to state and local governments for Medicaid, highways and mass transit, child care, Title I education, education for students with disabilities, and clean water and air;
- applicants for business or student loans and for agriculture loans and subsidies;
- civil service pay and pensions (e.g., for those who administer Social Security, Medicare, Medicaid, and so on; for air traffic controllers; customs agents; food inspectors; and the logistical, procurement, and administrative support of the Pentagon);

- entities that deliver government-funded services, such as community health centers, rural hospitals, Indian Health Service facilities, Head Start centers, schools delivering school meals, and substance use disorder treatment programs, and
- the Justice Department and the federal courts.

While most of the prioritization bills only identify the payments to be prioritized after reaching the debt limit, some of the bills permit the Treasury to borrow above the debt limit if there is insufficient income available to pay for favored programs. But the extra borrowing would only be allowed to the extent needed to cover any part of a favored payment that could not be made with the cash on hand. So even with extra borrowing, the favored programs would still have first claim on all incoming deposits, and payments to other programs would be delayed or reduced.

Further, even if prioritization could be implemented, it could not entirely shield the economy or favored groups from the damaging consequences of default. If payments to bondholders were prioritized, for instance, investors would still observe the federal government failing to meet other obligations and would assume that the risk of holding Treasury debt had increased, and therefore would demand higher interest rates. This is especially true if bondholders felt their favored status was politically perilous. And these higher interest rates and the delay or reduction of hundreds of billions of dollars of payments would cause economic turmoil, with widespread negative consequences that would affect even those whose payments were prioritized.

Moreover, even people receiving prioritized payments, such as older adults if Social Security were favored, could see other benefits they may need disrupted, such as Medicare, Medicaid, or Supplemental Security Income. In short, any insulation supposedly provided by prioritization is a mirage — and a very dangerous mirage, if it misleads some into believing that prioritization can mitigate the consequences of default. There's no water out there in the desert.

For all these reasons, lawmakers shouldn't fool themselves: prioritization cannot avert financial chaos or soothe creditors. Domestic and foreign lenders would hardly be reassured at the sight of a cash-strapped superpower picking which bills it paid. A downgrade of the nation's credit rating would likely ensue. As Bloomberg Government recently reported:

> Fitch [Ratings] says the AAA rating would be at risk if the Treasury, at the "X-date" when it runs out of fiscal space, decided to make good on some federal obligations, including government bonds, but not others — like payments to certain contractors. "If for whatever reason they get beyond the X-date and stop paying obligations — whatever they are — that would not be consistent with a AAA rating," Richard Francis, senior director at Fitch Ratings, said in an interview.[3]

[3] Liz McCormick, "Debt-Limit Showdown Splits Credit Raters on US Downgrade Trigger," Bloomberg Government, January 25, 2023, https://www.bloomberg.com/news/articles/2023-01-25/debt-limit-showdown-splits-credit-raters-on-us-downgrade-trigger?leadSource=uverify%20wall.

Republicans Have Introduced at Least 20 Different Prioritization Bills

We've identified many bills introduced over the period 2011-2023 to direct the federal government to prioritize payments — to favor winners over losers — once the debt limit has been reached and the Treasury's cash balances have run out. All of these measures were introduced by Republicans.[a] We've found at least 20 unique bills. Among those bills:

- One bill would prioritize debt service — the payment of interest on the debt held by the public, and whatever action may be needed to roll over maturing debt into new debt of the same amount — but nothing else. Another bill would prioritize Medicare and Social Security but nothing else — not even debt service.
- Nearly all of the bills would favor both debt service and at least one other program, usually Social Security.
- The most expansive prioritization list would cover debt service, active-duty military, Social Security, Medicare, veterans' compensation, and "such amounts as the president certifies … are necessary to carry out vital national security priorities" or "are protecting public health and public safety."
- One bill would delegate all prioritization to the President, who must submit a list 30 days after enactment.
- Some bills are explicit that the favored programs would each receive equal priority over everything else; others are explicit that priority would apply in the order the favored programs are listed; and others are silent on this point.
- Seven of the bills would permit the Treasury to borrow above the limit if there is insufficient income deposited to pay for favored programs, while the other 13 bills would not permit extra borrowing. The extra borrowing would be needed only when deposits on a given day were so low that they wouldn't fully cover even the favored programs.

[a] HR 342, introduced in 2013 by Rep. Duncan Hunter, included two Democrats among its 36 cosponsors.

A Debt Limit Conflicts With *All* Other Budget Statutes

CBPP has long cautioned that lawmakers shouldn't play politics with the debt ceiling. The United States is virtually alone among advanced countries in setting a debt ceiling *independently* of the decisions that drive higher debt in the first place — the choices about how much to spend and how much to raise in revenues. Among other problems, this disconnect enables lawmakers to support tax cuts and wars that necessitate borrowing, then oppose raising the debt limit to let the government pay the resulting bills.[4] Or as Senator Chuck Grassley explained in 2007, "Critics sometimes object

[4] Conservative economist Bruce Bartlett has reached the same conclusion we have, though a bit more flamboyantly: "At the risk of stating the obvious, the debt limit is nuts. It serves no useful purpose to allow members of Congress to vote for vast cuts in taxation and increases in spending and then tell the Treasury it is not permitted to sell bonds to cover the deficits Congress created. To my knowledge, no other nation has such a screwy system." See "The Debt Limit Is the Real Fiscal Cliff," *New York Times*, December 3, 2012, http://economix.blogs.nytimes.com/2012/12/03/the-debt-limit-is-the-real-fiscal-cliff/?_r=0.

to raising the debt limit, but let me tell you, it's this simple: refusing to raise the limit is like refusing to pay your credit card bill after you've used your credit card."[5]

President Reagan wrote that "the full consequences of a default — or even a serious prospect of default — by the United States are impossible to predict and awesome to contemplate."[6] The *Economist* called failing to raise the debt limit — or attempting to prioritize payments — an "instrument of mass financial destruction."[7] And the *Financial Times* wrote, "Sane governments do not cast doubt on the pledge to honour their debts — which is why, if reason prevailed, the debt ceiling would simply be scrapped."[8] CBPP agrees.

Lawmakers should repeal the debt limit, suspend it for a considerable period, or at a minimum raise it to a level where the government does not risk defaulting on *any* of its obligations.

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[5] Quoted in David Clarke, *CQ Today*, September 12, 2007, http://www.cq.com/doc/news-2582938?7&search=00z2mbBG.

[6] Ronald Reagan, letter to Senator Howard Baker, November 16, 1983, https://quotepark.com/quotes/1748727-ronald-reagan-this-country-now-possesses-the-strongest-credit-in/.

[7] *The Economist*, "From cliff to ceiling," January 12, 2013, https://www.economist.com/leaders/2013/01/12/from-cliff-to-ceiling.

[8] *Financial Times*, "Raising the Roof on America's Debt," May 8, 2011.

Appendix: Experts Warn of Dangers of Prioritization and the Debt Limit

Government Officials

Janet Yellen, January 22, 2023:[9]
While Treasury and Fed officials in 2011 discussed a plan to make on-time payments on Treasury debt and delay paying other government bills if no deal was reached on the debt ceiling, Ms. Yellen said that such a plan may still not be feasible. She said earlier that Treasury's systems weren't built to prioritize certain payments over others. "You should not assume it's operational and feasible to prioritize." "Even the prioritization of interest on debt, I think it's fair to say, is not a foolproof way by any stretch of the imagination for avoiding economic and financial bedlam."

Janet Yellen, January 20, 2023:[10]
Treasury Secretary Janet Yellen said the department doesn't prioritize some bills over others, and that any non-payment of obligations is a default that would "undoubtedly" trigger a recession. "Failure on the part of the United States to meet any obligation — whether its debt holders, to members of our military or to Social Security recipients — is effectively a default," Yellen said…

Congress "really cannot negotiate over whether or not we're going to honor our obligations," Yellen said, adding that "Treasury systems have all been built to pay all of our bills when they're due and on time, and not to prioritize one form of spending over another."

Six Treasury Secretaries, September 22, 2021:[11]
[T]here is no viable way to manage payments across the federal government to prevent a default if there are insufficient resources available…

Treasury Secretary Jacob Lew (oral testimony before Congress), **October 10, 2014:**[12]
You cannot go into those systems and easily make them pay some things and not other things. They weren't designed that way because it was never the policy of this government to be in the position that we would have to be in if we couldn't pay all our bills.

Treasury Secretary Jacob Lew (written testimony before Congress), **October 10, 2014:**[13]
Certain members of the House and Senate believe that it is possible to protect our economy by simply paying only the interest on our debts, while stopping or delaying payments on a number of

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[9] Andrew Duehren, "Janet Yellen Dismisses Minting $1 Trillion Coin to Avoid Default," *Wall Street Journal*, January 22, 2023, https://www.wsj.com/articles/janet-yellen-dismisses-minting-1-trillion-coin-to-avoid-default-11674417541?mod=Searchresults_pos6&page=1.

[10] Condon and Hawkins, *op. cit.*

[11] Secretaries Blumenthal, Paulson, Rubin, Geithner, Summers, and Lew, to Speaker Pelosi, September 22, 2021, https://home.treasury.gov/news/press-releases/jy0368#:~:text=U.S.%20Department%20of%20the%20Treasury,-Search&text=Dear%20Madam%20Speaker%2C,it%20is%20a%20sacrosanct%20responsibility.

[12] Jacob Lew in spoken testimony before the Senate Finance Committee, October 10, 2013, reported in https://www.nbcnews.com/politics/politics-news/lew-eludes-gop-grasp-whether-hed-pay-bondholders-first-flna8c11370855.

[13] Jacob Lew, testimony before the Senate Finance Committee, October 10, 2013, https://home.treasury.gov/news/press-releases/jl2182.

our other legal commitments. The United States should not be put in a position of making such perilous choices for our economy and our citizens. There is no way of knowing the irrevocable damage such an approach would have on our economy and financial markets.

As administrations of both political parties have previously determined, these "prioritization" proposals do not solve the problem. They represent an irresponsible retreat from a core American value: since 1789, regardless of party, Presidents and Congress have always honored all of our commitments. We cannot afford for Congress to gamble with the full faith and credit of the United States of America. At the same time, we should never be put in a position where we have to pick which commitments our nation should meet. How can the United States choose whether to send Social Security checks to seniors or pay benefits to our veterans? How can the United States choose whether to provide children with food assistance or meet our obligations to Medicare providers?

Treasury Assistant Secretary Alistair Fitzpayne, May 7, 2014:[14]
In a letter to Jeb Hensarling, then the Republican Chairman of the House Financial Services Committee, Treasury Assistant Secretary Alistair Fitzpayne wrote: "If the debt limit were not raised, and assuming Treasury had sufficient cash on hand, the New York Fed's systems would be technologically capable of continuing to make principal and interest payments while Treasury was not making other kinds of payments." But, Fitzpayne added, "this approach would be entirely experimental and create unacceptable risk to both domestic and global financial markets. As we have repeatedly stated, this would mean that the United States would default on its obligations, including to senior citizens, veterans, and members of the military."

Council of Inspectors General on Financial Oversight, August 4, 2012:[15]
Treasury officials determined that there is no fair or sensible way to pick and choose among the many bills that come due every day. Furthermore, because Congress has never provided guidance to the contrary, Treasury's systems are designed to make each payment in the order it comes due. … [It] was the Department's organizational view that the least harmful option available to the country at the time, of these very bad options, was to implement a delayed payment regime. In other words, no payments would be made until they could all be made on a day-by-day basis. Even under this option, Treasury officials acknowledged that, because the U.S. operates at a deficit, payment delays under such a regime would have quickly worsened each day the debt limit remained at its limit, potentially causing great hardships to millions of Americans and harm to the economy.

Treasury Secretary Timothy Geithner (to Senator Jim DeMint), **June 28, 2011:**[16]
In your letter … [y]ou further propose that after the government's borrowing authority is exhausted … the United States should for some indefinite period pay only the interest on its debt, while stopping or delaying payments of a broad swath of other commitments the country has made under the law. I have expressed my concerns about this idea before, but I will restate them to be clear: this

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[14] Tim Reid, "Treasury says debt payments could be prioritized in default scenario," Reuters, May 9, 2014, https://www.reuters.com/article/us-usa-treasury-debt/treasury-says-debt-payments-could-be-prioritized-in-default-scenario-idUSBREA480R520140509.

[15] Response by the Chair of the Council of Inspectors General on Financial Oversight and Inspector General of the Department of the Treasury, p. 4, August 24, 2012, https://oig.treasury.gov/sites/oig/files/Audit_Reports_and_Testimonies/OIG-CA-12-006.pdf.

[16] Letter to Sen. Jim DeMint, June 28, 2011, https://home.treasury.gov/system/files/276/DLDeMint062811.pdf.

"prioritization" proposal advocates a radical and deeply irresponsible departure from the commitments by Presidents of both parties, throughout American history, to honor all the commitments our Nation has made. …At its core, your letter is based on an untested and unacceptably risky assumption: that if the United States were to continue to pay interest on its debt — yet failed to pay legally required obligations to its citizens, servicemen and women, and businesses — there would be no adverse market reaction and no damage to the full faith and credit of the United States. Again, this idea is starkly at odds with the judgment of every previous Administration, regardless of party, that has faced debt limit impasses. …Ultimately, the notion of "prioritizing" payments is futile because the debt limit must be increased regardless of which spending path is adopted. …For all these reasons, the idea of "prioritization" has been rejected by every President and Secretary of the Treasury who have considered it. It is unwise, unworkable, unacceptably risky, and unfair to the American people.

Finance, Research, and Policy Organizations

Martin A. Sullivan, Chief Economist, Tax Analysts, January 23, 2023:[17]
[Interest-only prioritization] is designed to prevent technical default on government debt, which is of course a worthy economic goal. But it would almost certainly ignite a political firestorm like nothing we have seen before. … the U.S. government would be prioritizing payments to Wall Street bankers and foreign (including Chinese) investors over older voters who depend on Social Security. If voting to raise the debt limit is a political sore tooth, allowing interest-only prioritization is a root canal without anesthesia.

Mark Zandi, Chief Economist, Moody's Analytics, January 23, 2023:[18]
[P]olitically, it seems unimaginable that bond investors, including many foreign investors, would get their money ahead of American seniors, the military, or even the federal government's electric bill for long. And there is the question of how all the other bills would be prioritized. It is not possible for the Treasury to sort through the blizzard of payments due each day. More likely, as outlined in a report by Treasury's inspector general, the Treasury would delay all payments until it received enough cash to pay a given day's bills.

Fitch Ratings, January 19, 2023:[19]
Richard Francis, a senior director at Fitch Ratings, told Reuters, "[I]t's not clear to us ... if the government has the ability or the willingness to prioritize payments."

Bipartisan Policy Center, October 14, 2021:[20]
[Prioritization] would entail sorting and choosing from hundreds of millions of monthly payments, stretching the limits of the Treasury Department's financial technology systems and forcing

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[17] Martin A. Sullivan, "The Great Debt Ceiling Showdown of 2023," *Tax Notes*, January 23, 2023, https://www.taxnotes.com/tax-notes-federal/tax-policy/great-debt-ceiling-showdown-2023/2023/01/23/7fwbt.

[18] Mark Zandi, "Debt Ceiling Brinkmanship, (Again)," Moody's Analytics, January 23, 2023, https://www.moodysanalytics.com/-/media/article/2023/debt-limit-brinkmanship.pdf.

[19] Davide Barbuscia, "Rating agencies expect U.S. debt ceiling agreement despite gridlock risks," Reuters, January 19, 2023, https://www.reuters.com/markets/us/us-debt-limit-negotiations-take-time-agreement-expected-moodys-2023-01-19/.

[20] Shai Akabas, Rachel Snyderman, and Andrew Carothers, "Prioritization: What Comes After the Debt Limit 'X Date'?" Bipartisan Policy Center, October 14, 2021, https://bipartisanpolicy.org/blog/life-after-debt-limit/.

executive branch officials to pick winners and losers from among the programs that lawmakers have authorized. Under the best of circumstances, processing all payments on a day-to-day basis for critical government priorities — such as Social Security, Medicare, Medicaid, national defense, and salaries for the military — while at the same time declining others would be a logistically excruciating task.

[U]nder any hypothetical prioritization scenario, the federal government would be failing to meet some of its obligations. There is no legal precedent for choosing to pay certain bills before others. Immediate court battles would likely arise over the legality of paying, for example, foreign bondholders over American citizens. …

[G]iven the sheer number of daily payments, prioritization of any obligations beyond interest and principal on the debt would require a massive — and potentially impossible — overhaul and reprogramming of the Treasury Department's computerized payment systems. This would be unlike any prior operation. To believe that the federal government could pull such an effort off seamlessly with limited time for preparation requires a lot of faith in the bureaucracy. Even if prioritization is feasible, errors would be certain, and fingers crossed that debt payments would remain unimpacted. … In short, market participants are unlikely to view prioritization as a practical way for the Treasury Department to manage an economic crisis. Rather, investors would see prioritization for what it is — the first time in modern history that the U.S. fails to pay its bills.

Lou Crandall (Wrightson ICAP LLC), Steve Kang (Citigroup), July 14, 2017:[21]
"I'm assuming that prioritization is the fallback," said Lou Crandall, chief economist at Wrightson ICAP LLC. The acknowledgment in the Fed transcripts [of a meeting of the Federal Open Market Committee of the Federal Reserve, to discuss possible default on Treasury securities, October 16, 2013] of the existence of a backup plan to pay interest first makes it more plausible, he said, calling it a "truly terrible idea."

"Using prioritization would set up a dangerous precedent," said Steve Kang, interest-rate strategist at Citigroup Inc. "If Treasury goes to it, then people are probably going to bake in another prioritization two years, three years down the line when the debt-ceiling issue comes back. It wouldn't bode too well."

[21] Saleha Mohsin and Liz McCormick, "Markets Worry Trump May Have to Use Obama's Secret Debt Ceiling Plan," Bloomberg Government, July 14, 2017, https://www.bloomberg.com/news/articles/2017-07-14/trump-may-have-to-use-obama-s-secret-debt-plan-worrying-markets?leadSource=uverify%20wall.