

Op-Ed Columnist

Coins Against Crazies

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So, have you heard the one about the trillion-dollar coin? It may sound like a joke. But if we aren't ready to mint that coin or take some equivalent action, the joke will be on us — and a very sick joke it will be, too.

Let's talk for a minute about the vile absurdity of the debt-ceiling confrontation.

Under the Constitution, fiscal decisions rest with Congress, which passes laws specifying tax rates and establishing spending programs. If the revenue brought in by those legally established tax rates falls short of the costs of those legally established programs, the Treasury Department normally borrows the difference.

Lately, revenue has fallen far short of spending, mainly because of the depressed state of the economy. If you don't like this, there's a simple remedy: demand that Congress raise taxes or cut back on spending. And if you're frustrated by Congress's failure to act, well, democracy means that you can't always get what you want.

Where does the debt ceiling fit into all this? Actually, it doesn't. Since Congress already determines revenue and spending, and hence the amount the Treasury needs to borrow, we shouldn't need another vote empowering that borrowing. But for historical reasons any increase in federal debt must be approved by yet another vote. And now Republicans in the House are threatening to deny that approval unless President Obama makes major policy concessions.

It's crucial to understand three things about this situation. First, raising the debt ceiling wouldn't grant the president any new powers; every dollar he spent would still have to be approved by Congress. Second, if the debt ceiling isn't raised, the president will be forced to break the law, one way or another; either he borrows funds in defiance of Congress, or he fails to spend money Congress has told him to spend.

Finally, just consider the vileness of that G.O.P. threat. If we were to hit the debt ceiling, the U.S. government would end up defaulting on many of its obligations. This would have disastrous effects on financial markets, the economy, and our standing in the world. Yet Republicans are threatening to trigger this disaster unless they get spending cuts that they weren't able to enact through normal, Constitutional means.

Republicans go wild at this analogy, but it's unavoidable. This is exactly like someone walking into a crowded room, announcing that he has a bomb strapped to his chest, and threatening to set that bomb off unless his demands are met.

Which brings us to the coin.

As it happens, an obscure legal clause grants the secretary of the Treasury the right to mint and issue platinum coins in any quantity or denomination he chooses. Such coins were, of course, intended to be collectors' items, struck to commemorate special occasions. But the law is the law — and it offers a simple if strange way out of the crisis.

Here's how it would work: The Treasury would mint a platinum coin with a face value of \$1 trillion (or many coins with smaller values; it doesn't really matter). This coin would immediately be deposited at the Federal Reserve, which would credit the sum to the government's account. And the government could then write checks against that account, continuing normal operations without issuing new debt.

In case you're wondering, no, this wouldn't be an inflationary exercise in printing money. Aside from the fact that printing money isn't inflationary under current conditions, the Fed could and would offset the Treasury's cash withdrawals by selling other assets or borrowing more from banks, so that in reality the U.S. government as a whole (which includes the Fed) would continue to engage in normal borrowing. Basically, this would just be an accounting trick, but that's a good thing. The debt ceiling is a case of accounting nonsense gone malignant; using an accounting trick to negate it is entirely appropriate.

But wouldn't the coin trick be undignified? Yes, it would — but better to look slightly silly than to let a financial and Constitutional crisis explode.

Now, the platinum coin may not be the only option. Maybe the president can simply declare that as he understands the Constitution, his duty to carry out Congressional mandates on taxes and spending takes priority over the debt ceiling. Or he might be able to finance government operations by issuing coupons that look like debt and act like debt but that, he insists, aren't debt and, therefore, don't count against the ceiling.

Or, best of all, there might be enough sane Republicans that the party will blink and stop making destructive threats.

Unless this last possibility materializes, however, it's the president's duty to do whatever it takes, no matter how offbeat or silly it may sound, to defuse this hostage situation. Mint that coin!

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