

Deficit for First Five Months of FY 2009 Equal to \$765 Billion

According to the Treasury Department, just through the first five months of FY 2009, the federal government has run a deficit of \$765 billion—\$503 billion, or 192.0% above the level through the first five months of FY 2009. So far spending is up 32% compared to a year ago and tax collections are down 11% compared to a year ago. Even though the fiscal year is not yet halfway over, the federal deficit is already \$310 billion or 68.1% more than the *entire* deficit for last year (\$455 billion), which was the highest in U.S. history. Under President Obama’s budget plan, OMB projects a final FY 2009 deficit of \$1.75 trillion.

National Debt Exceeds \$11 Trillion

This week the national debt crossed the \$11 trillion mark (or more than \$36,000 for every American). It took five months for the federal government to accumulate the most recent \$1 trillion in debt. By contrast, it took more than 200 years for the country to rack up its first \$1 trillion of debt. The President’s budget proposes to more than double the national debt, over the next decade, to more than \$23 trillion in FY 2019.

GIVE Act Authorizes \$9.3 Billion

Today, the House will consider H.R. 1388, the Generations Invigorating Volunteerism and Education Act. The legislation authorizes a total of \$9.3 billion of discretionary spending (subject to appropriation) over the FY 2010-FY 2014 period. This figure is \$3.1 billion above the authorization level for similar legislation Congress considered last year (H.R. 2857). One of the programs authorized by the legislation is Americorps (which is set at “such sums as may be necessary”). The legislation includes a stated goal that participation in the program increase from about 75,000 in 2008 to 250,000 by 2014. CBO estimates that meeting this goal would require funding of \$3.6 billion over the next five years.

President’s Budget Uses Rosy Assumptions

The President’s budget projects that economic growth will be -1.2% in 2009, 3.2% in 2010, 4.0% in 2011, 4.6% in 2012, and 4.2% in 2013. By contrast CBO, as well as “Blue Chip” forecasters, project a much deeper decline in FY 2009, and a much weaker rebound thereafter. For example, CBO projects that the economy will decline by one percentage point more than the Obama budget does in 2009, and then projects that the economy will grow by only 1.5% in 2010 (as opposed to the 3.2% estimate in Obama’s budget). As economist Greg Mankiw points out, Obama’s budget projects that the economy will be 15.6% larger in 2013 than in 2008—this estimate is 6% above the “Blue Chip” forecast.

If the President’s economic forecasts are too optimistic, this would cause federal revenue collections to be lower and cause spending on some programs to be higher. This means that deficits would be even *higher* than his budget proposes.

Quote of the Week:

“This business about the Employee Free Choice Act taking away the secret ballot is nonsense spread by front groups for corporate fat cats who don’t want to give up their \$16,000 wastebaskets. Since when is the secret ballot a basic tenet of democracy? Town meetings in New England are as democratic as they come, and they don’t use the secret ballot. Elections in the Soviet Union were by secret ballot, but those weren’t democratic.”

-Jimmy Hoffa, Teamsters President