

# Obama's fiscal flop



Reuters

The 2012 U.S. budget document: total spending barely budgeted.

***The new U.S. budget takes a complete pass on a myriad of opportunities for spending restraint***

**By Chris Edwards**

Despite the record \$1.6-trillion deficit this year, and the consensus that exploding spending and debt is pushing the nation toward catastrophe, the Obama administration has completely chickened out on spending reforms in its new budget. Even though Obama's own Fiscal Commission proposed many good spending-cut ideas, the new Obama budget takes a complete pass.

The budget has 2012 spending falling a bit from record 2011 levels, but that's because "stimulus" spending is winding down, war costs are supposed to fall, and unemployment

benefits should decline as the economy improves. Let's look at some of the new budget data (all data for fiscal years):

- Total federal spending jumped from \$2.98-trillion in 2008 to \$3.82-trillion in 2011. Obama's budget has outlays at \$3.73-trillion in 2012, but that's still up 25% from 2008. Spending in 2011 is the highest share of GDP since the Second World War at 25.3%.
- Non-defence discretionary spending jumped from \$522-billion in 2008 to \$655-billion in 2011. Spending is supposed to fall to \$611-billion in 2012, but that's still up 17% from 2008.
- Defence spending jumped from \$612-billion in 2008 to \$761-billion in 2011. Spending is supposed to fall to \$730-billion in 2012, but that's still up 19% from 2008.
- Entitlement spending jumped from \$1.59-trillion in 2008 to \$2.19-trillion in 2011. The budget has entitlement spending at \$2.14-trillion in 2012, which is up a huge 35% from 2008.

Obama took a "shellacking" in the November elections as a result of his big-government policies. Does his new budget reflect any movement to the fiscal centre? Not at all — spending levels in his new budget are virtually the same as in last year's budget.

- Last year, Obama proposed total spending for 2012 of \$3.76-trillion. His new budget proposes 2012 spending of \$3.73-trillion. So, in response to huge and growing concerns about overspending in Washington, the administration has essentially not changed next year's spending target at all.
- Last year, Obama projected spending in 2020 at \$5.71-trillion. His new budget has spending in 2020 at \$5.42-trillion. So the new focus on fiscal restraint in Washington has convinced the administration to trim just 5% off of its previous budget by the end of the decade. The new proposal for spending in 2020 is 42% higher than spending this year.
- Last year, Obama's budget showed public debt rising to 77% of GDP by 2020. Yet despite all the administration's expressed concern about rising debt, the new budget has exactly the same debt target in 2020 of 77%.
- Last year, Obama proposed 2012 discretionary outlays of \$1.30-trillion. This year, Obama proposed 2012 discretionary outlays of \$1.34-trillion.

In the administration's mind, apparently absolutely nothing has changed on fiscal policy in the last year. Obama hasn't shifted toward fiscal responsibility an inch. The Tea Party movement, the November elections, the government debt crises in Europe, and the Obama Fiscal Commission have all been totally ignored in the new federal budget.

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