

The Truth-O-Meter Says:



Under the White House's budget proposal, "we will not be adding more to the national debt" by the middle of the decade.

Barack Obama on Tuesday, February 15th, 2011 in a press conference

Barack Obama says White House budget would not add to the debt within a few years

During a Feb. 15, 2011, press conference, President Barack Obama responded to a question from Ben Feller of the Associated Press about the president's fiscal year 2012 budget, which had been released one day earlier.

Obama said, "What my budget does is to put forward some tough choices, some significant spending cuts so that by the middle of this decade our annual spending will match our annual revenues. We will not be adding more to the national debt. It's -- so, to use a -- sort of, an analogy that families are familiar with, we're not going to be running up the credit card anymore."

It wasn't the first time the administration had made the argument that the U.S. would "not be adding more to the national debt" within a few years if the budget were enacted. On Feb. 13, 2011, Jack Lew, the director of the Office of Management and Budget, appeared on CNN's *State of the Union* with Candy Crowley and said, "Our budget will get us, over the next several years, to the point where we can look the American people in the eye and say we're not adding to the debt anymore; we're spending money that we have each year, and then we can work on bringing down our national debt."

Would the president's budget really mean that within a couple years, the U.S. will "not be adding more to the national debt."

First, a bit of background about the budget. Every year in early February, the president releases a budget with detailed proposals for federal spending, laid out department by department and program by program. It is not a binding document. Rather, it is traditionally the opening proposal in the annual fight over federal spending, with Congress ultimately charged with passing spending bills that the president is asked to sign.

The administration's budget document includes 10 years of future projections for federal outlays, revenues, deficits and accumulated debt. These are the tables we turned to first.

We'll also remind readers that a deficit occurs when a given year's worth of revenues is smaller than that same year's spending. By contrast, the term "debt" refers to the accumulated total of past deficits, minus any surpluses.

Over the next 10 years, [according to the president's budget](#), there will be projected deficits every year. Here's a rundown:

Year	Deficit
2010:	\$1.293 trillion
2011:	\$1.645 trillion
2012:	\$1.101 trillion
2013:	\$768 billion
2014:	\$645 billion
2015:	\$607 billion
2016:	\$649 billion
2017:	\$627 billion
2018:	\$619 billion
2019:	\$681 billion
2020:	\$735 billion



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President Barack Obama held a press conference at the White House on Feb. 15, 2011, to discuss the budget he released the day before, as well as other issues.

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Barack Obama, [press conference transcript](#), Feb. 15, 2011

Jack Lew, [comments](#) on CNN's *State of the Union* with Candy Crowley, Feb. 13, 2011

Office of Management and Budget, [the president's budget proposal for fiscal year 2012](#), Feb. 14, 2011

E-mail interview with Daniel Mitchell, senior fellow with the Cato Institute, Feb. 15, 2011

E-mail interview with James R. Horney, director of federal fiscal policy at the Center on Budget and Policy Priorities, Feb. 15, 2011

Written by: [Louis Jacobson](#)
Researched by: [Louis Jacobson](#)
Edited by: [Martha Hamilton](#)

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2021: \$774 billion

So, with deficits every year for the next 10 -- and no surpluses -- the nation's accumulated debt will rise every year for the next decade. Here's the [rundown by year](#) of the projections for publicly held debt every year:

Year	Public debt
2010:	\$9.019 trillion
2011:	\$10.856 trillion
2012:	\$11.881 trillion
2013:	\$12,784 trillion
2014:	\$13,562 trillion
2015:	\$14.301 trillion
2016:	\$15.064 trillion
2017:	\$15.795 trillion
2018:	\$16.513 trillion
2019:	\$17.284 trillion
2020:	\$18.103 trillion
2021:	\$18.967 trillion

These numbers show that the publicly held debt rises each year. Two other measures of debt also go up every year from 2011 to 2021 -- gross federal debt (which includes public debt plus debt held by other parts of the government) and public debt adjusted for financial assets held by the government.

So the contention that "we will not be adding more to the national debt" after the middle of the decade seems incorrect on its face.

So what is the administration thinking? The president gave a pretty good idea of his thought process during the press conference.

Obama responded in a follow-up question by Chip Reid of CBS News by saying, "We still have all this accumulated debt as a consequence of the recession and as a consequence of a series of decisions that were made over the last decade. We've piled up -- we've racked up a whole bunch of debt. And there's a lot of interest on that debt. So in the same way that if you've got a credit card and you've got a big balance, you may not be adding to principal; you've still got all that interest that you've got to pay. Well, we've got a big problem in terms of accumulated interest that we're paying and that's why we're going to have to whittle down further the debt that's already been accumulated."

In other words, Obama argued that new outlays stemming from his fiscal 2012 budget plan -- discretionary spending, military-related spending and entitlements -- wouldn't be adding to the debt. Only interest payments stemming from past budgets would be adding to the debt.

First, we checked to see if he was right.

Here's a [rundown](#) of the net interest totals for each of the 10 years. (Net interest is interest paid to the government minus interest paid out by the government.)

Year	Net interest
2010:	\$196 billion
2011:	\$207 billion
2012:	\$242 billion
2013:	\$321 billion
2014:	\$418 billion
2015:	\$494 billion
2016:	\$562 billion
2017:	\$627 billion
2018:	\$685 billion
2019:	\$741 billion
2020:	\$793 billion
2021:	\$844 billion

If you compare these totals to the projected annual deficits, the net interest begins to match or exceed the size of the deficit in 2017. The two numbers are exactly equal in 2017. Then, net interest begins to exceed the deficit by \$66 billion in 2018, by \$60 billion in 2019, \$58 billion in 2020 and \$70 billion in 2021.

The president has a point that current spending -- exclusive of net interest -- won't be adding to the debt beginning in 2017, as it has for more than a decade. It is a little like getting to the point where you are covering monthly expenses with your income, rather than putting them on your credit card. But to extend the analogy, this ignores the big credit card debt hanging over you. That debt isn't shrinking. In fact, the longer you take to pay down that debt, additional interest costs accrue, and the debt grows.

"This is what public finance economists refer to as 'primary spending' or 'primary balance,'" said Dan Mitchell, an economist with the libertarian Cato Institute. "But the White House is using these technical concepts in a very misleading way. Very misleading."

If the president can somehow work with Congress to get his budget enacted, he'd have reason to

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boast that his plan would make annual spending -- minus interest -- equal annual revenues for the first time in years in 2017. That would be an accomplishment, but it doesn't equal "not adding to the debt anymore." Because of interest costs -- which amount to \$884 billion in 2021 alone -- the debt is projected to grow during every year of the president's budget. (It's also a bit of an exaggeration to call 2017 "the middle of this decade.")

We think the president's statement is likely to mislead a lot of Americans about what his budget would do. So we rate Obama's statement False.

UPDATE: Shortly after we posted this article, the White House responded to an earlier request for comment, arguing that Obama was not referring to actual dollars but to the fact that the budget will not increase the debt as a share of the economy. While it's true that the debt as a proportion of GDP -- at least when adjusted for financial assets held by the government -- would fall slightly between 2013 and 2017 (from 67.7 percent to 66.8 percent), that's not the explanation Obama gave in the news conference. Our rating is unchanged.



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