

Obama presents a wallet busting budget to Congress

Tue, 02/15/2011 - 1:28pm | posted by [Jason Pye](#)

After a couple of weeks of wondering [what spending cuts](#) the [Republican-controlled House would propose](#), President Barack Obama yesterday [released a budget that spends \\$3.7 trillion](#), estimates a [\\$1.6 trillion budget deficit for this year](#) and \$7.2 billion in deficits for the next 10 years.

Forget about the rhetoric, look at the [numbers](#).

First, there's the \$1.6 trillion deficit. That figure is the same as the entire budget of the United States in FY1998 (FY1986 in real terms, which is interesting considering the tendency to compare Obama with Reagan). This deficit will supposedly be reduced to \$1.1 trillion in FY2012, but that's probably wishful thinking. As [this chart shows](#), this administration hasn't been very good at keeping its promises about deficit reduction: The blue line is what the president promised would happen with the deficit when he issued his first budget, and the red line is what he says will happen now.

In Obama's [first budget](#) (which was called "A New Era of Responsibility"), the president promised that he would cut the deficit to \$912 billion in 2011 and to \$581 billion by 2012. The reality is a deficit twice that size for both years. Why should we trust the president this time around?

[...]

Overall, this budget is unrealistic at best and does not take us a step closer to addressing our short- and long-term budget crisis. As Dan Foster [rightly notes](#) today: "The name of the game is entitlement reform, and the rules are simple: save the entitlements, save the world. Ignore them, and we're Greece with better plumbing."

Dan Mitchell, an economist at the Cato Institute, [looks the spending side](#) of President Obama's budget proposal:

This new budget may be better than Obama's first two fiscal blueprints, but that's damning with faint praise. The absence of big initiatives such as the [so-called stimulus](#) scheme or [agovernment-run healthcare](#) plan simply means that there's no major new proposal to accelerate America's fiscal decline.

But neither is there any plan to undo the damage of the past 10 years, which resulted in a doubling in the burden of government spending during a period when inflation was less than 30 percent.

Moreover, many of the supposed budget savings (such as nearly \$40 billion of lower jobless benefits) are dependent on better economic performance. I certainly hope the White House is correct about faster

growth and more job creation, but [they've been radically wrong for the past two years](#) and it might not be wise to rely on optimistic assumptions.

Some of the fine print in the budget also is troubling, such as [Table 4.1 of OMB's Historical Tables of the Budget](#), which shows that some agencies are getting huge increases, including:

- o 17 percent more money for International Assistance Programs;
- o 24 percent more money for the Executive Office of the President;
- o 13 percent for the Department of Transportation; and
- o 12 percent more for the Department of State.

But these one-year changes in outlays are dwarfed by the 10-year trend. Since 2001, spending has skyrocketed in almost every part of the budget. Even with the supposed "cuts" in Obama's budget, there will be:

- o 112 percent more spending for the Department of Agriculture;
- o 100 percent more spending for the Department of Education;
- o 154 percent more spending for the Department of Energy;
- o 110 percent more spending for the Department of Health and Human Services;
- o 175 percent more spending for the Department of Labor; and
- o 82 percent for the Department of Transportation.

And remember that inflation was less than 30 percent during this period.

The budget needs to be dramatically downsized, yet the President has proposed that we tread water.

And while Democrats are [playing up the spending cuts in Obama's proposed budget](#), the [cuts aren't real](#) and [budget deficits actually increase](#) over the next 10 years [compared to the projections of the Congressional Budget Office](#).

Republicans aren't really offering much in terms of dealing with long-term budget issues. Just yesterday, Rep. Paul Ryan (R-WI) [downplayed talk of the GOP dealing with entitlements](#).

What we do know is that Obama's proposal does nothing to reduce deficits and Republicans could not exhibit self-control when they had control of the government, but the national debt is [now equal to the size of the nation's economy](#), entitlements are growing and there is no political will to tackle either issue. This doesn't bode well for our future.