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The US budget deficit

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In the United States of America, some are still living in their fantasy world when it comes to the budget, the budget deficit, taxes and America's unsustainable path.

The deficit for the first nine months of the fiscal year 2011 was \$970 billion. Health care costs rose some 8% in 2011 and are projected to rise another 8.5% in 2012, despite President Obama's repeated statements that ObamaCare would tackle the problem of disproportionately rising healthcare costs. The 2011-budget deficit is about to reach some 9% of GDP.

A look at the numbers *after* the "tough" budget cuts reveals that nothing has fundamentally changed regarding the dance into the dept trap. In the next fiscal year, the cuts agreed on will produce a \$3.7 trillion budget with only laughable \$25 billion in cuts. The following year, the cuts will rise to "sky-high" \$47 billion. As a result, in the next fiscal year with the \$3.7 trillion budget, the budget deficit will reach \$1,1 trillion. In other words, about 30% of all the money the country spends is not covered by money the state takes in.

The long term outlook is not better. Based on the current Congressional Budget Office (CBO) baseline, total debt held by the public will increase from \$10.4 trillion in 2011 to \$20.8 trillion in 2021. In short, according to the CBO projections, the United States public debt will increase another \$8 trillion *after* the cuts, while assuming that the real annualized GDP growth from 2011 to 2021 will match 2.9%, whereas the last decade had only produced an average annual growth of 1.7%.

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The United States of America have to close all fiscal loopholes for companies and individual taxpayers. The country can no longer afford subsidies and tax deductions. They have to be reduced to zero.

Health care needs an overhaul. More competition and price transparency is needed in the entire sector, including drug companies, hospitals, pharmacies, doctors, etc.

Military spending is totally out of control. In early July, the U.S. House approved \$649 billion for defense in 2012. According to the Cato Institute, the United States account for some 48% of global military spending.


The wars in Iraq and Afghanistan were totally mismanaged, "unnecessarily" driving up costs. As for President Obama, Secretary of State Clinton and Secretary of Defense Gates, how could they accept the "result" of the fraudulent [2009 Afghan presidential election](#)? How could some \$18 billion in contracts for rebuilding Afghanistan remain unaccounted for? No one seems to know where the money ended up.

Too many military bases in the U.S. are just there to please local, regional or national politicians. They have no real purpose. Thanks to the "military-industrial complex", too many people make money on the back of taxpayers. Money is wasted around the globe, not only in misconceived and ill-guided military operations with doubtful "allies" such as Karzai, but also by the simple presence fueling money into corrupt regimes in Egypt, Pakistan, Saudi Arabia, etc.

The military in general is overstretched. As for the NATO alliance, the U.S. are shouldering far too much of the burden. The European allies could not fulfill most missions, even if they wanted too, because they lack the skills, the weapons and other hardware. NATO should be restructured, become a global alliance including additional democratic countries embracing the market and free trade and dedicated to a peaceful world. Deterrence by NATO's global presence and by the member states offering market access and global respectability should become more important.


Back to the United States, where not only the healthcare system and the military need fixing, but also the broken justice system. A lot of money is squandered for prisoners. As [mentioned in 2008](#), at the beginning of that year, some 2.32 million Americans were behind bars, a staggering 1 in 99.1 adults. Among adult white men between the age of 20 to 34, the ration was 1 in 30 and, for African Americans of the same age and sex, the proportion was 1 in 9! That is another U.S. world record. Prisoners are not only unproductive, they cost taxpayers a fortune.

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We can again mention the [catch-22](#): Americans should both consume and save at the same time. As for the Federal Reserve (Fed), Bernanke seems to be thinking about a third round of quantitative easing (QE). QE means more dollars to flood the world, with the production of goods and services not increasing for the same amount. The result is an ever lower dollar, which may be good for the export industry, but the risks are new bubbles and/or rising inflation. Last time, the policy of easy money by then Fed-chef Greenspan resulted in the infamous real estate bubble which „solved“ the inflation problem; the money will go somewhere.

Another “stimulus” or another round of quantitative easing would make things worse. The U.S. money supply is reported to have doubled since the outbreak of the housing crisis. Easy money was and is available to banks, which has helped them but not the overall economy (so far). The dollar depreciation is not more dramatic only because the euro zone is also weak and, therefore, there is currently no global alternative to the dollar.

With fever and bigger banks than before the financial crisis, the risks of a financial collapse and of another bubble and/or a double dip grow by the day. The U.S. budget and budget deficit discussions will accompany us for at least a few more years. It's time to act *now*, in the United States, in Europe and in Japan, to mention just the worst big players.

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