

GLENWOOD SPRINGS
POST INDEPENDENT

The deficit is down, but we share the debt

By Randy Essex
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Here's a bit of good news from last week:

The U.S. budget deficit for fiscal 2014, which ended Sept. 30, [dropped by nearly a third](#) from the year before.

It was still \$486 billion — simplistically, the federal government spent that much more than it took in during the budget year.

In a country with a long history of deficit spending, the 2014 red ink was largely in line with past figures. It was 2.8 percent of gross domestic product, compared with the average of the last 40 years of 3.1 percent of GDP.

In talking about U.S. red ink, “deficit” refers to the annual budget. The national debt, which is nearing \$18 trillion, is the sum of unpaid deficits and other liabilities of the federal government.

Like any debt, it must be financed — in this case using U.S. Treasury notes, bills and bonds. When you buy a Treasury note, you are lending the government money at interest — and that interest cost is added to the debt.

A popular narrative among critics of the Obama administration is about out-of-control spending leading us to ruin. While annual deficits have shrunk each of the last five years, it is, of course, true that the accumulated national debt has risen sharply during Obama's presidency.

He's hardly alone.

Our [national debt has risen under every president](#) since Calvin Coolidge. Franklin Roosevelt, president for 12 years during depression and war, increased it the most. Woodrow Wilson, fighting World War I, was next. Then comes Ronald Reagan, who by cutting taxes and increasing spending to win the Cold War increased the debt by 186 percent. Next is George W. Bush, who cut taxes and launched wars in Iraq and Afghanistan, leading to a 101 percent increase in the debt.

The increase in the debt under Obama is about 52 percent so far. [Congressional Budget Office projections](#) for his remaining years in office suggest that the debt's growth during his presidency will fall well short, in percentage terms, of the increase under Bush.

The dollar figures under Obama are greater — and alarming — because 52 percent of the \$11.65 trillion debt Obama inherited is a greater dollar amount than 100 percent of the \$5.8 trillion that Bush inherited. If everybody at your job gets a 2 percent raise, the boss gets more money because her base is higher.

Economists and historians looking at conditions when Obama took office would easily have predicted big spending during his first few years.

Here's why:

The annual deficit as a percentage of GDP historically is highest during war — about 17 percent in 1919 and a record 27 percent in 1943. Deficits also [rise in times of economic crisis](#) — to about 5 percent of GDP during the Great Depression and to 9.8 percent in fiscal 2009, which was nearly four months under way when Obama took office in wartime and in the midst of the Great Recession. And, as the [folks in Kansas are learning](#), deep tax cuts also contribute to deficits. If you cut your personal income, you get squeezed at home.

When Obama took office, we were fighting two wars, we had cut taxes after the Clinton budget surplus years, and the economy had tanked because of lax oversight and greed — which most of us went along with, believing that our home values and 401(k)s would just keep growing.

Our budget, deficit and debt are sufficiently complex to enable anyone to tell just about any story they'd like. Few people (and I readily admit that includes me) understand them very well.

A great many people with whom I've talked over the years don't even grasp the difference between the deficit and the debt — to them, they are both just big red numbers that mean the country is going to hell.

Thus they provide great fodder for fearmongers and excellent material for trashing whichever party you oppose.

One certainty, though, is that both parties have built this debt, and the American people have completely gone along with it. We want roads and bridges, we want Medicaid, we want a strong military — we want to crush ISIS and the Taliban and intimidate Iran, North Korea and Putin.

This is very pricey stuff, but we also want tax cuts.

We, as a society, also want to blame our profligate spending on welfare, but one question is how you define welfare. Is it the \$100 billion a year that the conservative/libertarian [Cato Institute describes as corporate welfare](#)? Is it the \$70 billion mortgage interest deduction? Is it the \$80 billion a year for food stamps?

(By the way, besides feeding children, key to allowing them to learn and thus be productive, taxpaying citizens as adults, food stamps are a great deal for grocers and already-subsidized agribusiness.)

Who wants to sacrifice their break? Nobody. Whose fault is the debt? Everyone's.

Only if we quit pointing fingers and vilifying others will we be able to work together to bring down debt, whose interest costs hamper economic growth and limit the government's ability to make needed infrastructure and education investments to build an internally strong, smart country.