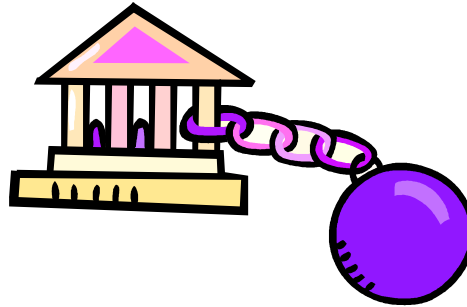


Federal Debt



The federal debt is climbing faster than at anytime in history. The federal government is increasing the debt to stimulate the economy. They want to pass cap-and-trade, give free healthcare to and make legal 12 million illegal aliens, raise benefits for everyone out of work, et cetera. In the meanwhile, Americans are losing jobs, businesses are leaving, and our gross domestic product is decreasing.

We are driving the debt up and committing ourselves, our children, and multiple generations to pay it back ... while reducing our standard of living.

Let's look at some of the costs and increase in spending.

1. Public Debt as of 30 September 2008 (the last day of U.S. government's 2008 fiscal year)

(U.S. Department of Treasury, 2008).

\$10,024,725,000,000

2. Projected Public Debt for U.S. Government Fiscal Year 2009: 01 Oct 08 – 30 Sept 09

(U.S. Congressional Budget Office [CBO], 2009).

CBO's Estimate of the President's Budget 2009	
Projected Revenues	\$ 2.159 trillion
Projected Outlays	\$ 4.004 trillion
Deficit	\$ -1.845 trillion

\$ 1,845,000,000,000

See addendum 1 for actual 2008 and projections 2009-2019, which project an additional deficit of 9.270 trillion from 2010-2019.

3. Some Bailout Monies are NOT included in the Budget

As of 15 July 2009, CNNMoney.com's bailout tracker states that \$10.5 trillion dollars has been committed by the U.S. Government to the rescue effort, of which \$2.7 trillion has already been invested (CNN, 2009). It is important to note that of these monies, some are not reflected in the federal budget, such as loans made by the Federal Reserve – Bloomberg put the figure at 2 trillion dollars as of 6 Nov 2008 (Pittman, 2008) – and investments by the U.S. government that involve an exchange of assets including loans to the automobile companies. (Peter Fontaine, United States Congressional Office Budget Supervisor, personal communication, May 1, 2009).

\$ 2,000,000,000,000

Bloomberg differs a little from CNN on the rescue/bailout figures, and writes on 31 March 2009, “The U.S. government and the Federal Reserve have spent, lent, or committed \$12.8 trillion” (Pittman, 2009). **That means for every working person to repay 12,800,000,000,000 divided by 140,196,000 = \$91,301** each (U.S. Bureau of Labor Statistics [BLS], n.d.).

Social Program Liabilities

Medicare, medicaid, and social security obligations are not included in our main figures because the present value unfunded liabilities are reported to be about \$92 trillion dollars (not including Medicaid); these numbers are many times our annual GDP; thus a breaking point would occur somewhere before these catastrophic figures would ever be reached. We have, however, included comments about these social programs in addendum 2.

Putting it all together

\$ 10,024,725,000,000	Public Debt as of 30 Sept 2008
\$ 1,845,000,000,000	Projected Public Debt for FY 2009 (01 Oct 08-30 Sept 09)
+ \$ <u>2,000,000,000,000</u>	What Bloomberg claims the Federal Reserve loaned as of 11/2008
\$ 13,869,725,000,000	Estimate of what we owe through FY 09
+ \$ <u>9,270,000,000,000</u>	CBO’s estimate of deficit 2010-2019
\$ 23,139,725,000,000	Estimate of what we owe through FY2019 (Not including SS and Medicare see Addendum 2)
<u>140,196,000</u>	Divide by 140 million working Americans (BLS, n.d.)
\$ 165,053	Each working American owes <i>above the taxes</i> you are already paying. This does not include new expenses if cap-and-trade and universal healthcare should pass.

The above figures take into account all revenues coming in ... what is left is a deficit. For an idea of some of the projected revenue amounts (U.S. CBO, 2009):

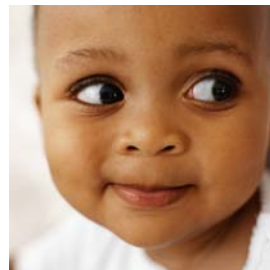
2009: 2,159,000,000,000

2010: 2,289,000,000,000

2011: 2,586,000,000,000

It is interesting that Obama said in his presidential campaign that he was only going to raise taxes five percent on the wealthiest Americans (a small group). Yet he has doubled the expenses in his budget (from about 2 trillion to 4 trillion). How does one possibly catch up?

QUESTION: WHO IS GOING TO PAY THE BILL?



Government Waste

“The outrage of millions of taxpayers following the \$700 billion bank bailout and the \$787 billion stimulus bill did not stop Congress from passing and President Obama from signing a bloated \$410 billion Omnibus Appropriations Act in March. With the subsequent approval of the President’s budget, the national debt will triple over the next 10 years. That leaves plenty of opportunities for pork to remain pervasive in the nation’s capital.” - Citizens Against Government Waste

- Citizens Against Government Waste:
http://www.cagw.org/site/PageServer?pagename=podcast_list; pig book,
http://www.cagw.org/site/PageServer?pagename=reports_pigbook2009
- Americans for Tax Reform: <http://www.atr.org/>
- Read the Stimulus: <http://www.readthestimulus.org/>
- Heritage Foundation: examples of government waste,
<http://www.heritage.org/Research/Budget/wm839-list.cfm>

Addendum 1

United States. Congressional Budget Office. (2009, March). *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook. Budget Projections.*

2 A PRELIMINARY ANALYSIS OF THE PRESIDENT'S BUDGET AND AN UPDATE OF CBO'S BUDGET AND ECONOMIC OUTLOOK

Table 1-1.

Comparison of Projected Revenues, Outlays, and Deficits in CBO's March 2009 Baseline and CBO's Estimate of the President's Budget

(Billions of dollars)

	Actual 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total, 2010- 2014	Total, 2010- 2019
CBO's Baseline														
Revenues	2,524	2,186	2,334	2,783	3,086	3,281	3,436	3,610	3,761	3,927	4,083	4,247	14,921	34,550
Outlays	2,983	3,853	3,473	3,476	3,417	3,581	3,746	3,892	4,088	4,239	4,408	4,671	17,693	38,991
Total Deficit	-459	-1,667	-1,139	-693	-331	-300	-310	-282	-327	-312	-325	-423	-2,772	-4,441
CBO's Estimate of the President's Budget														
Revenues	2,524	2,159	2,289	2,586	2,917	3,095	3,231	3,387	3,522	3,669	3,807	3,950	14,118	32,452
Outlays	2,983	4,004	3,669	3,556	3,575	3,767	3,979	4,172	4,417	4,619	4,830	5,139	18,546	41,723
Total Deficit	-459	-1,845	-1,379	-970	-658	-672	-749	-785	-895	-949	-1,023	-1,189	-4,429	-9,270
Difference Between the President's Budget and CBO's Baseline														
Revenues	n.a.	-26	-45	-198	-169	-187	-205	-223	-240	-257	-276	-297	-804	-2,097
Outlays	n.a.	151	196	80	158	186	233	280	329	380	422	468	853	2,732
Total Deficit^a	n.a.	-177	-241	-278	-327	-373	-438	-503	-568	-637	-698	-765	-1,657	-4,829
Memorandum:														
Total Deficit as a Percentage of GDP														
CBO's baseline	-3.2	-11.9	-7.9	-4.6	-2.1	-1.8	-1.8	-1.6	-1.8	-1.6	-1.6	-2.0	-3.5	-2.5
CBO's estimate of the President's budget	-3.2	-13.1	-9.6	-6.4	-4.2	-4.1	-4.3	-4.4	-4.8	-4.9	-5.1	-5.7	-5.6	-5.3
Debt Held by the Public as a Percentage of GDP														
CBO's baseline	40.8	54.8	60.1	62.0	61.6	60.7	60.2	59.5	59.0	58.5	56.1	56.1	n.a.	n.a.
CBO's estimate of the President's budget	40.8	56.8	64.7	68.3	70.1	71.4	73.2	75.2	77.5	79.9	79.3	82.4	n.a.	n.a.

Source: Congressional Budget Office.

Note: GDP = gross domestic product; n.a. = not applicable.

a. Negative numbers indicate an increase relative to the baseline deficit.

projection is attributable to recent legislative actions, with changes in other factors having largely offsetting effects on projected deficits.

As a percentage of GDP, the baseline budget deficit peaks in 2009 and then falls in each year through 2013, when it reaches 1.8 percent of GDP (see Table 1-2). The baseline deficit is projected to roughly stabilize as a share of out-put thereafter, ranging between 1.6 percent and 2.0 percent of GDP through 2019.

Revenues in CBO's baseline grow from a low of 15.5 percent of GDP this year to 19.9 percent in 2013 and remain at roughly 20 percent of GDP thereafter. Much of that increase results from the growing impact of the alternative minimum tax (AMT) and, even more significant, the scheduled expiration in December 2010 of provisions originally enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), as well as tax provisions enacted in ARRA.

Addendum 2



Social Program Liabilities

In trying to quantify the financial challenges facing Social Security and Medicare, herein are three different perspectives.

Richard W. Fisher, Chairman of the Federal Reserve Bank of Dallas, in his remarks before the Commonwealth Club of California on 28 May 2008, said the following about the present discounted value of the unfunded liabilities of Social Security and Medicare:

Social Security	\$ 13.6 trillion
Medicare A	\$ 34.4 trillion (Medicare A covers hospital admissions and visits)
Medicare B	\$ 34.0 trillion (Medicare B covers visits to the physician)
<u>Medicare D</u>	<u>\$ 17.2 trillion (Medicare D covers prescription drugs)</u>
	\$ 99.2 trillion discounted value of unfunded liabilities in May 2008

Fisher then states:

No combination of tax hikes and spending cuts, though, will change the total burden borne by current and future generations. For the existing unfunded liabilities to be covered in the end, someone must pay \$99.2 trillion more or receive \$99.2 trillion less than they have been currently promised. This is a cold, hard fact. The decision we must make is whether to shoulder a substantial portion of that burden today or compel future generations to bear its full weight (Fisher, 2008).

Michael Tanner of CNS News on 4 August 2008 frames the social program dilemma in another perspective when he writes (note: his numbers include Medicaid):

According to Mr. Orszag [Peter Richard Orszag, Director of the Office of Management and Budget], without dramatic reform, the cost of those three programs [Medicare, Medicaid, Social Security] alone will rise from 18 percent of GDP today to 28 percent by the middle of this century and as much as 35 percent soon thereafter. Paying for those programs would require raising both the corporate tax rate and top income tax rate from their current 35 percent to 88 percent, the current 25 percent tax rate for middle-income workers to 63 percent, and the 10 percent tax bracket for low-income workers to 25 percent. The impact on workers, businesses and the economy at large would be catastrophic.

The Social Security Administration offers another perspective when it concludes in *A Summary of the 2008 Annual Reports of Social Security and Medicare*, the *Medicare Report* shows that the program could be brought into actuarial balance over the next 75 years by an immediate 122 percent increase in the payroll tax (from 2.9 percent to 6.44 percent), or an immediate 51 percent reduction in program outlays or some combination of the two.

Social Security could be brought into actuarial balance over the next 75 years in various ways, including an immediate increase of 14 percent in payroll tax revenues (from 12.4 percent to 14.1 percent) or an immediate reduction in benefits of 12 percent or some combination of the two (U.S. Social Security, 2008).

References:

- CNNMoney.com bailout tracker. (2009, May 5). Retrieved 5 May 2009 from <http://money.cnn.com/news/storysupplement/economy/bailouttracker/index.html>
- Fisher, Richard W. (2008, May 28). Storms on the horizon: Remarks before the Commonwealth Club of California. Retrieved 7 May 2009 from <http://www.dallasfed.org/news/speeches/fisher/2008/fs080528.cfm>
- Pittman, Mark. (2008, Dec 12). Fed refuses to disclose recipients of \$2 trillion (Update 2). *Bloomberg.com*. Retrieved 8 May 2009 from <http://www.bloomberg.com/apps/news?pid=20601109&sid=apx7XNLnZZlc&refer=home>
- Pittman, Mark. (2009, March 31). Financial rescue nears GDP as pledges top \$12.8 trillion (Update1). *Bloomberg.com*. Retrieved 30 April 2009 from <http://www.bloomberg.com/apps/news?pid=20601087&sid=armOzfkwtCA4&refer=worldwide>
- Tanner, Michael. (2008, Aug 4). U.S. future threatened by cost of Medicare, Medicaid, social security. *CNS News*. Retrieved 30 April 2009 from <http://www.cnsnews.com/public/Content/Article.aspx?rsrcid=33579>
- United States. Congressional Budget Office. (2009, March). A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook. Budget Projections. Retrieved 30 April 2009 from <http://www.cbo.gov/ftpdocs/100xx/doc10014/03-20-PresidentBudget.pdf>
- United States. Department of Labor. Bureau of Labor Statistics. Table A-1: Employment status of the civilian population by sex and age. Retrieved 16 July 2009 from <http://www.bls.gov/news.release/empsit.t01.htm>
- United States. Department of Treasury. The Bureau of the Public Debt. (2008, Sept 30). Monthly Statement of the Public Debt of the United States, September 30, 2008. Retrieved 8 May 2009 from <http://www.treasurydirect.gov/govt/reports/pd/mspd/2008/opds092008.pdf>
- United States. Social Security Administration. (2008). Status of the Social Security and Medicare Programs. A Summary of the 2008 Annual Reports. Social Security and Medicare Boards of Trustees. Actuarial Publications. Retrieved 7 May 2009 from <http://www.ssa.gov/OACT/TRSUM/trsummary.html>