



This Year: \$2 Trillion Budget Deficit?

Is she an unrealistic fear-monger?

Hardly.

Recent figures released by the federal government reveal that the \$1.2 trillion deficit predicted for fiscal 2009 is now already a gross underestimation. The Congressional Budget Office (CBO) now [estimates](#) that the deficit would balloon to \$1.39 trillion with the passage Obama's "stimulus" plan, but even that number has already been exposed as unrealistically optimistic.



The CBO estimate was based upon the fiction that U.S. Gross Domestic Product (GDP) growth for the 2008 calendar year would be 3.6 percent, but the devastating last quarter performance in the economy shrunk [actual 2008 calendar year growth](#) to 1.3 percent. So the \$1.39 trillion deficit is already based upon figures that have proven to be falsely optimistic. The CBO also estimated a mere 0.4 percent retraction in GDP for the 2009 calendar year, which — one month into the new year — also seems overly optimistic.

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A retracting economy decreases revenue to the federal government, since federal taxes take a fixed proportion of profits. Smaller profits mean less taxes paid on April 15, as well as smaller quarterly estimated taxes from corporations. The worse the recession gets, the more the deficit will increase.

The CBO estimate also assumed that Obama's \$800 billion "stimulus" plan would not increase, even though the proposal has already [ballooned to \\$900 billion](#) in the Senate version.

Finally, the announced deficit numbers also [subtract the estimated \\$155 billion in surplus](#) that Social Security and other so-called "trust" funds from the amount of the deficit.

The official "consolidated" budget deficit (after Social Security surpluses have been stolen) is now [estimated](#) to be in the range of \$1.63-1.72 trillion by Wall Street's Treasury bond dealers.

That seems like a decent current estimate, although the figure is anything but "decent." The [GDP](#) — the sum of everything the country makes in a year — is now \$14.26 trillion, which means that the annual deficit this year will almost certainly top 10 percent of everything produced by the nation. (Imagine putting 10 percent of your annual salary on your credit card in just one year, and you get an idea of what kind of fiscal planning is going on in Washington). A \$1.6 plus trillion deficit would also be larger



Written by [Thomas R. Eddlem](#) on February 4, 2009

than the entire [federal budget in 1997](#).

The Congress (which is responsible under the Constitution for the nation's purse-strings) seems to know no bounds for its current profligacy.

It's starting to appear that the only event that will stop the deficit-spending frenzy is when the Chinese and Japanese refuse to buy more bad U.S. debt. And that's an action [the Chinese are already considering](#).



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