



Written by [Thomas R. Eddlem](#) on March 1, 2009

Obama Budget Grossly Understates Deficits

Before the forecasted annual deficit drops to \$533 billion in the Obama budget, it first shoots up to \$1.75 trillion for the current fiscal year, which ends this September 30.

The baseline that is being used in order to portray a \$533 billion deficit as a 50 percent cut is not the \$453 billion deficit for the previous fiscal year. Obviously, if last year's record-setting deficit were being used as the baseline, then Obama's projected \$533 billion deficit for the end of his first term would mean an 18-percent increase, not a 50 percent decrease. The baseline that is instead being used is the \$1 trillion-plus deficit that was being projected for the current fiscal year when Obama became president. Of course, President Obama has since championed spending programs that have ballooned that projection to \$1.75 trillion. Not only that, but he supported big-spending programs as a U.S. senator that contributed to the deficit he inherited as president, including last year's \$700 billion TARP legislation.



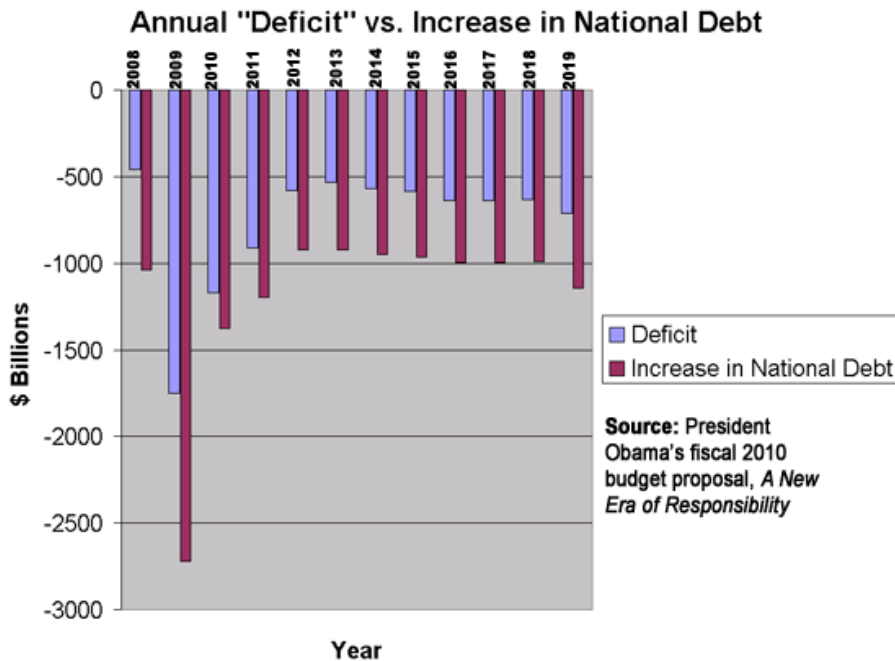
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Obama assumes an [unrealistically rosy economic picture](#) through 2013 in order to arrive at a deficit of "only" \$533 billion.

But as the following chart demonstrates, this and the other annual deficit figures presented in the Obama budget are not true deficit figures, since they fall far short of the corresponding increases in the national debt. In fact, according to the president's own budget, the national debt will grow by about a trillion dollars or more each year through fiscal year 2019, the last year for which figures are shown.



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How do you cut the annual deficit to "only" \$533 billion while still increasing the national debt by about \$1 trillion or more every year? It's being done the same way past administrations have done it: concealing the enormity of the deficits through the "off-budget" theft of "trust funds." Prime among these are the Social Security trust fund, Medicaid, and federal employee retirement trust funds. Those funds are being filled with "IOUs" that are not factored into the deficit figures. Each of these funds will come due in the coming decades, and taxpayers will pay the price of the liability for them straight out of their tax bills. "Trust fund" theft accounts for \$250-400 billion per year in concealed additional debt.

President Obama also conceals about \$100 billion per year in debt from TARP and "direct loan" accounts for various financial bailouts, all of which remain "off budget."

President Obama proclaimed a more "honest" and "open" budget process, and — give him some credit — he did move the cost of the Iraq and Afghan wars back onto the budget from the Bush administration. But he still has a long way to go before he can say it's an "honest" budget.

And about a trillion or more reasons a year before he can say it's a "responsible" budget.

Photo of Obama: AP Images



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