



## Obamas No New Debt Ploy

Obama, of course, cannot claim that his budget does not produce *deficits* as far as the eye can see. In fact, [says the St. Petersburg Times' PolitiFact.com](#), "over the next 10 years, according to the president's budget, there will be projected deficits every year." Such shortfalls are the natural result of budget proposals that envision continued increases in federal spending, albeit smaller increases than Obama would like (which, in Washingtonspeak, [constitute "cuts"](#)). "So, with deficits every year for the next 10 — and no surpluses — the nation's accumulated debt will rise every year for the next decade," according to PolitiFact, citing projections of publicly held debt, which is expected to grow from approximately \$9 trillion in 2010 to approximately \$19 trillion in 2021.



If every year from now to 2021 the government will be spending more than it takes in and the national debt will continue to rise, how, then, can Obama claim not to be adding to the debt? Here's where the sleight of hand comes in. PolitiFact writes:

Obama responded in a follow-up question [during his press conference] by Chip Reid of CBS News by saying, "We still have all this accumulated debt as a consequence of the recession and as a consequence of a series of decisions that were made over the last decade. We've piled up — we've racked up a whole bunch of debt. And there's a lot of interest on that debt. So in the same way that if you've got a credit card and you've got a big balance, you may not be adding to principal; you've still got all that interest that you've got to pay. Well, we've got a big problem in terms of accumulated interest that we're paying and that's why we're going to have to whittle down further the debt that's already been accumulated."

In other words, Obama argued that new outlays stemming from his fiscal 2012 budget plan — discretionary spending, military-related spending and entitlements — wouldn't be adding to the debt. Only interest payments stemming from past budgets would be adding to the debt.

PolitiFact found that Obama's assertion in that regard was correct. According to the President's proposal, beginning in 2017 the net interest on the debt will "match or exceed the size of the deficit," says the website. However, the report notes,

It is a little like getting to the point where you are covering monthly expenses with your income, rather than putting them on your credit card. But to extend the analogy, this ignores the big credit card debt hanging over you. That debt isn't shrinking. In fact, the longer you take to pay down that debt, additional interest costs accrue, and the debt grows.

Thus, while doing what Obama says his budget will do "would be an accomplishment," PolitiFact



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argues, “it doesn’t equal ‘not adding to the debt anymore.’” The site’s fact checkers, therefore, rate Obama’s statement “False” because it “is likely to mislead a lot of Americans about what his budget would do.”

In addition to PolitiFact’s finding that Obama’s claim of not adding to the debt is misleading at best, there are ancillary issues to consider.

First, the year in which the administration projects that the deficit will begin consisting solely of interest payments on the debt is conveniently beyond the end of Obama’s term of office, whether or not he is reelected in 2012. This is a typical — and typically meaningless — ploy by Presidents, who always project rosy scenarios in the so-called “out” years, allowing them to appear to be making tough decisions while they are actually kicking the can down the road for their successors.

Second, even if Congress were to pass Obama’s budget proposal for fiscal year 2012 exactly as it stands now, it could not guarantee that his proposed budgets for 2013 and beyond will become law. A new budget must be passed each year; legislators in one year cannot bind legislators in future years to abide by previous proposals. There is little reason to believe that Obama’s plan will survive this year’s budget negotiations, let alone 10 years’ worth of them.

Third, if the goal is to pay down the debt, spending will have to be reduced significantly, not merely frozen or lightly trimmed. Current spending plus interest payments must be far lower than revenue. As long as that sum is higher than revenue, there will be deficits and, thus, new debt. If the two sides of the equation are equal, the government is not merely treading water but is actually sinking as interest accrues. The only way to pay down the debt is to have a large chunk of money left over after paying for the current year’s spending and interest and then to apply that surplus to the principal. Until Obama puts forth serious proposals to gut the federal budget — and that means slashing both entitlements and defense spending as well as discretionary spending — his promise of “no new debt” should be taken as seriously as George H.W. Bush’s infamous vow of “no new taxes.”

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