

US to borrow 46 cents for every dollar spent

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WASHINGTON – The government will have to borrow nearly 50 cents for every dollar it spends this year, exploding the record federal deficit past \$1.8 trillion under new White House estimates. Budget office figures released Monday would add \$89 billion to the 2009 red ink — increasing it to more than four times last year's all-time high as the government hands out billions more than expected for people who have lost jobs and takes in less tax revenue from people and companies making less money.

The unprecedented deficit figures flow from the deep recession, the Wall Street bailout and the cost of President Barack Obama's economic stimulus bill — as well as a seemingly embedded structural imbalance between what the government spends and what it takes in.

As the economy performs worse than expected, the deficit for the 2010 budget year beginning in October will worsen by \$87 billion to \$1.3 trillion, the White House says. The deterioration reflects lower tax revenues and higher costs for bank failures, unemployment benefits and food stamps.

Just a few days ago, Obama touted an administration plan to cut \$17 billion in wasteful or duplicative programs from the budget next year. The erosion in the deficit announced Monday is five times the size of those savings.

For the current year, the government would borrow 46 cents for every dollar it takes to run the government under the administration's plan. In 2010, it would borrow 35 cents for every dollar spent.

"The deficits ... are driven in large part by the economic crisis inherited by this administration," budget director Peter Orszag wrote in a blog entry on Monday.

The developments come as the White House completes the official release of its \$3.6 trillion budget for 2010, adding detail to some of its tax proposals and ideas for producing health care savings. The White House budget is a recommendation to Congress that represents Obama's fiscal and policy vision for the next decade.

Annual deficits would never dip below \$500 billion and would total \$7.1 trillion over 2010-2019. Even those dismal figures rely on economic projections that are significantly more optimistic — just a 1.2 percent decline in gross domestic product this year and a 3.2 percent growth rate for 2010 — than those of private sector economists and the Congressional Budget Office.

As a percentage of the economy, the measure economists say is most important, the deficit would be 12.9 percent of GDP this year, the biggest since World War II. It would drop to 8.5 percent of GDP in 2010.

In the past three decades, deficits in the range of 4 percent of GDP have caused Congress and previous administrations to launch efforts to narrow the gap. The White House predicts deficits equaling 2.9 percent of the economy within four years.

Polling data suggest Americans are increasingly worried about mounting deficits and debt.

An AP-GfK poll last month gave Obama relatively poor grades on the deficit, with just 49 percent of respondents approving of the president's handling of the issue and 41 percent disapproving. By contrast, Obama's overall approval rating was 64 percent, with just 30 percent disapproving.

"Even using their February economic assumptions — which now appear to be out of date and overly optimistic — the administration never puts us on a stable path," said Marc Goldwein of the Committee for a Responsible Federal Budget, a bipartisan group that advocates budget discipline. "The president ... understands the critical importance of fiscal discipline. Now we need to see some action."

For the most part, Obama's updated budget tracks the 134-page outline he submitted to lawmakers in February. His budget remains a bold but contentious document that proposes higher taxes for the wealthy, a hotly contested effort to combat global warming and the first steps toward guaranteed health care for all.

Meanwhile, the congressional budget plan approved last month would not extend Obama's signature \$400 tax credit for most workers — \$800 for couples — after it expires at the end of next year.

Obama's "cap-and-trade" proposal to curb heat-trapping greenhouse gas emissions is also reeling from opposition from Democrats from coal-producing regions and states with concentrations of heavy industry. Under cap-and-trade, the government would auction permits to emit heat-trapping gases, with the costs being passed on to consumers via higher gasoline and electric bills.

Also new in Obama's budget details are several tax "loophole" closures and increased IRS tax compliance efforts to raise \$58 billion over the next decade to help finance his health care measure. The money would make up for revenue losses stemming from lower-than-hoped estimates for his proposal to limit wealthier people's ability to maximize their itemized deductions.

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