U.S. sees debt, deficit everywhere one year after economic crisis

WASHINGTON, Sept. 23 (Xinhua) -- One week before the U.S. fiscal year 2009 ends on Sept. 30, top U.S. officials may not volunteer the unsettling news on the federal budget deficit and America's record-breaking public debt at the G20 Summit in Pittsburgh.

According to the White House's own estimate, the federal government's deficit for the fiscal year 2009 would reach 1.84 trillion U.S. dollars, roughly 13 percent of the estimated GDP. This would be the highest level since 1945 when the United States was involved in a world war.

The total amount of national debt will reach nearly 13 trillion dollars - an almost unimaginable number that is bigger than every country's annual GDP except that of the United States.

The debt to GDP ratio rose sharply from 70 percent in 2008 to over 90 percent this year, and is still growing. By contrast, China's debt to GDP ratio is below 20 percent.

Some Americans contend that since the U.S. economy is much larger than that of any other country in the world, it doesn't need to worry a lot about the accumulation of public debt. But William Gale, budget deficit expert at the Brookings Institution, begs to differ.

In a paper he wrote earlier this summer, Gale argued that both deficit and debt-to-GDP ratio were projected to be at "unsustainable" levels in the next decade, even if "everything goes the way the Obama administration wants and the economy recovers and grows steadily" for the next 10 years.

He forecasts federal deficit to be at 5.5 percent of GDP, an "extremely high figure," and public debt at 82 percent of GDP by 2019.

But it doesn't stop at the federal level. According to the Center on Budget and Policy Priorities, a non-partisan research group based in Washington DC, 48 out of the 50 U.S. states expected deficits in the fiscal year 2010, totaling 160 billion dollars.

Analysts have cited the mounting unemployment rate and a decrease in tax income due to the weak economy as reasons for anticipating state governments' financial woes.

Unlike the federal government, state governments are required to balance their budgets by law. Robert Egger, founder of the well-known non-profit organization DC Central Kitchen in Washington DC, said that means local governments either have to raise taxes, or use their reserve funds, or cut funding and services.

"For non-profits all over America, whether they are services at the kitchen or anything, art galleries, hospitals, it's very difficult," Egger said.

Egger's organization prepares 4,500 meals everyday for homeless persons in the Washington DC area. The District of Columbia government is one of its major donors. Fear of government funding cuts prompted Egger to run his non-for-profit organization like a business, with 50-60 percent of the operational cost coming from profits generated by the services it provides for a fee.

"What we try to do is so that it never would really cripple us ,if the government couldn't fund next year," Egger said.

The government of the District of Columbia cut 110 million dollars in spending for the fiscal year 2009 in order to meet budgeting responsibilities. According to the DC Fiscal Policy Institute, nearly 50 percent of the cuts were to programs that serve or would serve low-income residents and families, who need these public programs most.

Egger said economic issues including deficit and unemployment would dominate America's political landscape next year, when not only congressmen and senators are going through the 2010 mid-term election, but 37 states and scores of cities will elect governors and mayors.

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