

USA: \$100 Billion Increase in Deficit Is Forecast

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A deficit of that size for the fiscal year that ends Sept. 30 would be about \$150 billion greater than last year's deficit, which was the highest since World War II.

Measured against the size of the economy, a \$1.6 trillion shortfall would equal almost 11 percent of the gross domestic product. Economists generally consider annual deficits above 3 percent to be unsustainable.

Last week, the nonpartisan [Congressional Budget Office](#) projected that this year's deficit would be more than \$1.3 trillion without further spending or tax cuts. Mr. Obama's proposed \$100 billion [stimulus package](#), which includes tax credits for small businesses that make new hires and money for infrastructure projects, is less than a \$154 billion package that the House approved in December but more than a measure the Senate is drafting.

The administration's projection of its deficit for this year came as Mr. Obama prepared to release on Monday his budget for the 2011 fiscal year, which begins Oct. 1, and for the remainder of the decade.

The president and his budget director, [Peter R. Orszag](#), have signaled in recent weeks that the budget, after this year, will show the government on a path to lower deficits because of a combination of renewed economic growth and Mr. Obama's proposals for increasing tax revenues and cutting spending.

The president's shift from stimulus spending to deficit reduction in his new budget for the 2011 to 2020 fiscal years assumes that the economy will have fully recovered from the worst [recession](#) in eight decades.

It will rely on projections of higher tax collections from revived businesses and workers, and less spending for unemployment compensation and other safety-net programs for those out of work.

Budgets for 2011 and beyond also would save hundreds of billions of dollars by letting the Bush-era tax cuts for households that have annual incomes above \$250,000 expire this year as scheduled. Mr. Obama's proposed tax on big banks, intended to recoup any losses from the financial bailout program, would collect at least \$90 billion over a decade.

An additional \$250 billion would be saved by freezing for three years the overall spending for a portion of the domestic budget, and by holding that spending to the rate of inflation in subsequent years — a level of austerity that has no modern precedent in Washington. [Medicare](#), [Medicaid](#) and [Social Security](#) — the so-called entitlement programs that are the largest and fastest-growing part of the budget — would be exempted, along with defense and veterans programs.

The spending freeze is not an across-the-board cut, an approach that Mr. Obama opposed in his presidential campaign when his Republican rival, Senator [John McCain](#), Republican of Arizona, proposed it. Instead, officials said, they have taken "a scalpel" to cut or eliminate more than 120 programs, while increasing money for priorities — chiefly education, research and energy programs — to save about \$20 billion in the 2011 fiscal year.

Mr. Obama's budget for the coming fiscal year would total \$3.8 trillion. Just \$1.4 trillion is domestic and military spending that he and Congress directly control through annual appropriations; the rest is mostly automatic spending for Medicare, Medicaid and Social Security and interest on debt of \$12.4 trillion.

In an unusual accompaniment to the budget that underscores the dire fiscal outlook, Mr. Obama will direct a bipartisan commission to recommend a plan to balance the budget, not counting growing payments on the country's amassed debt, by the 2015 fiscal year. Congressional Democratic leaders have committed to holding a vote in December on whatever plan such a commission produces.

<http://www.nytimes.com/2010/02/01/us/politics/01budget.html>