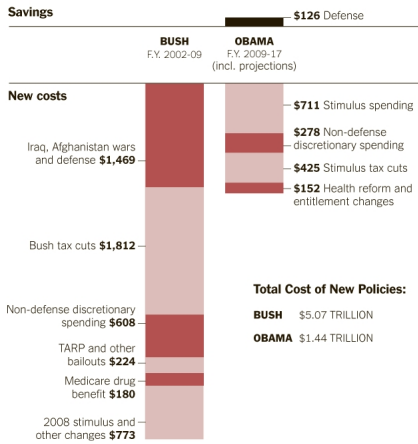


How the Deficit Got This Big

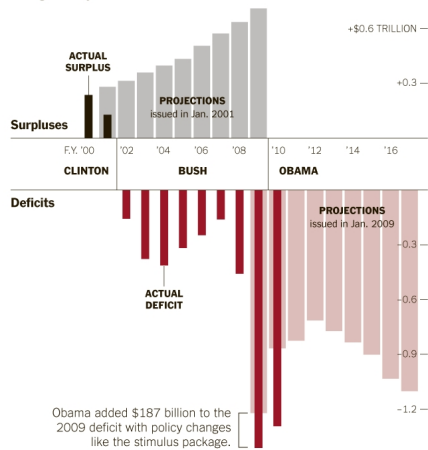
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Policy Changes Under Two Presidents FIGURES IN BILLIONS



Despite what antigovernment conservatives say, non-defense discretionary spending on areas like foreign aid, education and food safety was not a driving factor in creating the deficits. In fact, such spending, accounting for only 15 percent of the budget, has been basically flat as a share of the economy for decades. Cutting it simply will not fill the deficit hole.

Budget Projections and Realities



A few lessons can be drawn from the numbers. First, the Bush tax cuts have had a huge damaging effect. If all of them expired as scheduled at the end of 2012, future deficits would be cut by about half, to sustainable levels. Second, a healthy budget requires a healthy economy; recessions wreak havoc by reducing tax revenue. Government has to spur demand and create jobs in a deep downturn, even though doing so worsens the deficit in the short run. Third, spending cuts alone will not close the gap. The chronic revenue shortfalls from serial tax cuts are simply too deep to fill with spending cuts alone. Taxes have to go up.

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