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Obama budget: National debt will be \$1 trillion higher in a decade than forecast

By [Lori Montgomery](#), Published: February 13

President Obama rolled out an election-year budget on Monday that would delay action to reduce the national debt in favor of fresh spending on Democratic priorities aimed at rebuilding the American middle class.

In his final budget request before facing voters in November, Obama called for \$350 billion in new stimulus to maintain lower payroll taxes, bolster domestic manufacturing, lure jobs back from overseas, hire teachers, retrain workers and fix the nation's crumbling infrastructure. There would be only modest trims to federal health-care programs and no changes to Social Security, the biggest drivers of future borrowing, despite last year's raucous political debate over the federal debt.

Instead, Obama would reduce deficits by raising taxes by nearly \$2 trillion over the next decade on corporations and the wealthy, in part by letting expire George W. Bush-era tax cuts on household income over \$250,000 a year.

And the president is encouraging lawmakers to rewrite the tax code to eliminate the alternative minimum tax, which strikes many middle-class families, while requiring millionaires to pay at least 30 percent of their annual income to the Internal Revenue Service.

The \$3.8 trillion spending request for fiscal 2013 would limit agency budgets according to limits agreed to during last year's budget battles, forcing belt-tightening at the Pentagon and the lowest spending on domestic agencies as a percentage of the economy in at least a decade.

Obama said his proposal would save at least \$4 trillion over the next 10 years and stabilize government borrowing. But Republicans blasted the budget as insufficient, with Senate Minority Leader Mitch McConnell (Ky.) deriding it as "a campaign document."

Despite the savings, budget deficits would be markedly higher than they would under a debt-reduction plan Obama submitted to Congress in September, staying well above \$600 billion a year for most of the next decade. The portion of the debt held by outside investors would climb to \$18.7 trillion by 2021, or 76.5 percent of the overall economy — twice the size of the debt before the recession hit in 2007 and \$1 trillion higher than the president's September forecast.

Administration officials blamed that increase in large part on gloomier economic projections, which tend to depress tax collections, increase government spending and drive up deficits. Since the budget was prepared, job growth has proved stronger than expected, officials said, adding that the picture would look brighter today.

But White House economic adviser Gene Sperling said the administration added "our aspirations" to the

\$3.8 trillion request. New initiatives would increase 10-year deficit projections by about \$350 billion. They include an extra \$125 billion for road and rail projects, as well as permanently extending tax breaks that provide families up to \$10,000 for college tuition and reward businesses for doing research in the United States.

In an unusually partisan budget message to Congress, Obama wrote that “reining in our deficits is not an end in itself” but “a necessary step to rebuilding a strong foundation so our economy can grow and create good jobs.” Drawing a sharp contrast with his Republican opponents, Obama said his approach “rejects the ‘you’re on your own’ economics that have led to a widening gap between the richest and poorest Americans.”

“Today, we are seeing signs that our economy is on the mend. But we are not out of the woods yet. Instead, we are facing a make-or-break moment for the middle class, and for all those who are fighting to get there,” Obama wrote. “This is the defining issue of our time.”

Republicans said Obama had met his debt-reduction goals with tax increases and accounting gimmicks while ignoring the massive cost increases that are looming as the nation’s population ages.

“Instead of an America built to last, this is a plan for an America drowning in debt,” House Budget Committee Chairman Paul Ryan (Wis.) said. “All we’re getting is more spending, more borrowing.”

GOP presidential candidate Mitt Romney called Obama’s plan “an insult to the American taxpayer” that would not take “meaningful steps toward solving our entitlement crisis.”

The budget marks the second year in a row Obama has ignored calls to restructure Social Security and Medicare entitlement programs. Last year, he declined to endorse the recommendations of a bipartisan fiscal commission he appointed to develop a debt-reduction strategy. He and other Democrats have refused to consider deep cuts to benefits unless Republicans reevaluate their stand against higher taxes.

The budget released Monday would trim spending on federal health-care programs by about \$360 billion over the next decade, primarily by reducing payments to drug companies and other providers. Starting in 2017, Obama also proposes to raise Medicare premiums for new retirees and seniors with higher incomes, start charging co-payments for home health-care services, and penalize patients who buy Medigap policies to take care of Medicare co-payments and deductibles.

Administration officials noted that the changes would increase projected savings significantly compared with the 2012 budget request, which offered \$1 trillion less in 10-year deficit reduction.

“This is a Democratic budget that has savings in Medicaid. It has some savings from new beneficiaries in Medicare in 2017,” Sperling told reporters. “It has a lot of very tough choices.”

Some independent budget analysts applauded the White House for sticking to its goal of slicing \$4 trillion from future borrowing. But others expressed disappointment that the White House didn’t move the conversation forward.

“Their plan isn’t actually big enough yet to fix the problem,” said Maya MacGuineas, president of the bipartisan Committee for a Responsible Federal Budget. “It has a lot of good components. But they haven’t done enough to make sure that plan becomes the beginning of a national discussion so that we actually get the job done.”

In a preemptive attack issued hours before the budget was made public, Romney signaled that overhauling entitlement programs would be a key issue in November if he won the GOP nomination. He has called for far-reaching changes to Social Security and Medicare that would transform the landscape for future retirees by raising the Social Security eligibility age, reducing checks for higher-income seniors and replacing the

open-ended Medicare entitlement with limited federal payments that could be used to buy private insurance.

“The President has failed to offer a single serious idea to save Social Security and is the only president in modern history to cut Medicare benefits for seniors,” Romney said in a written statement. “I believe we can save Social Security and Medicare with a few commonsense reforms, and — unlike President Obama — I’m not afraid to put them on the table.”

Staff writers David Nakamura and Jia Lynn Yang contributed to this report.

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