



THE NEW OBAMA BUDGET: HIGHER TAXES, HIGHER SPENDING

February 1, 2010

A few early thoughts on the [FY 2011 Obama budget](#):

- It's important to keep the 30,000 feet view in mind. The top-line estimate for taxes, spending, and debt over the next decade can be found in [Table S-1](#):

Taxes are scheduled to rise from 14.8 percent of GDP in 2009 to 19.6 percent by 2020 (the [historical average](#) is 18 percent).

Spending is scheduled to fall from 24.7 percent of GDP in 2009 to a still-high 23.7 percent of GDP in 2020 (considering the [historical average](#) is 21 percent, this is actually a very significant and permanent increase in the size of government). When Bill Clinton left office, for instance, federal spending was [18.2 percent of GDP and falling](#).

The national debt is scheduled to rise from 53 percent of GDP in 2009 to 77.2 percent of GDP in 2020. As a percentage of the economy, the national debt hasn't been that high [since 1950](#).

- So, taxes are scheduled to be *higher* than their historical average. Spending is scheduled to be *higher* than its historical average. If you have a problem with the deficit, it's not because taxes are too low--it's because spending is too high. The culprit is clearly spending, not taxes. The deficit is signaling to policymakers that they are spending far more money than they should be.
- In the [terminations and reductions](#) section (page 4), the budget includes some energy tax hikes along with actual spending cuts. Tax increases ARE NOT spending cuts.
- In the coming days, ATR will be breaking out different analyses of the budget, including the international tax hikes, the energy tax hikes, the small business tax hikes, the tax hikes disguised as "compliance," and the tax increases on families making less than \$250,000. We'll also be looking at the various spending questions via our [Center for Fiscal Accountability](#).

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

www.atr.org