

RSC Policy Brief: \$1.3 Trillion Deficit in Perspective

October 14, 2010

Background: CBO recently [reported](#) that the final FY 2010 deficit came to \$1.291 trillion (8.9% of GDP). This is the second year in a row that the federal deficit has exceeded \$1 trillion. Prior to last year, the federal deficit had never exceeded \$459 billion. Federal spending came to \$3.453 trillion or 23.8% of GDP. Federal tax collections amounted to \$2.162 trillion or 15.9% of GDP. FY 2009 and FY 2010 are the first two years that federal spending exceeded \$3 trillion. The past two years are the highest spending levels as a percentage of the economy in all of American history, excepting World War II. The purpose of this policy brief is to put this deficit spending in perspective.

In Comparison to Historical Budget Data...

- The FY 2010 deficit alone is \$45 billion *higher* than the total deficits run up in the twelve years of GOP control of the House from FY 1996-FY 2007. That figure is \$1.246 trillion, which comes to an average of \$104 billion a year. Put another way, the average *annual* deficits under the GOP Congress were less than the *monthly* deficits in FY 2009 (\$118 billion average) and FY 2010 (\$108 billion average).

FY 2009, 2010 Deficit Spending Compared to FY 1996-2007

(in billions of dollars)

Fiscal Year	Spending	Nominal Deficit	Deficit % of GDP
2009	3520	1416	10.0%
2010	3453	1291	8.9%
Average 1996-2007	2,040	104	0.8%

- The FY 2009 deficit (10.0% of GDP) was the highest deficit as a percentage of GDP in the post-World War II era. The FY 2010 deficit (8.9% of GDP) is the second highest deficit in U.S. history as a percentage of GDP.
- The FY 2009 deficit was **208.5%** greater than any previous deficit in U.S. history. Excepting FY 2009, the FY 2010 deficit is **181.3%** greater than any previous deficit in U.S. history.
- The FY 2010 deficit is higher than the entire federal budget as recently as 1990.
- The FY 2010 deficit is higher than the public debt as recently as 1983.
- FY 2010 spending is higher than the public debt as of 1994.
- At \$1.291 trillion, the FY 2010 deficit is more than all spending for military operations related to the Global War on Terrorism since 2001 (\$1.12 trillion per most [recent figure](#) available).

- The FY 2010 deficit is \$145 billion more than the cost of Social Security and Medicare in FY 2010 combined.
- The FY 2010 deficit is \$198 billion more than the amount collected from individual income tax and corporate tax collections *combined*.
- Many proponents argue that the New Deal offers a model for deficit spending leading to economic recovery. In fact, from FY 1933 to FY 1940 (from 1941 to 1945, the budget data is far more impacted by World War II than the New Deal) federal deficits averaged 3.6% of GDP (compared to 10.0% of GDP in 2009 and 8.9% of GDP in 2010).
- As a percentage of the economy, the federal deficit in FY 2010 (8.9% of GDP) is actually larger than total federal outlays in some years of the New Deal: 1933 (8.0% of GDP), 1937 (8.6% of GDP), and 1938 (7.7% of GDP).
- Federal spending averaged 9.4% of GDP during the New Deal period of FY 1933-1940. Federal spending in 2010, as a percentage of economy, was more than two and a half times this level (23.8% of GDP).

In Comparison to State and Global Economies...

- The FY 2010 deficit is larger than 49 of our 50 state economies—all except California.
- The FY 2010 deficit is roughly the same as the economic output of India (converted to U.S. dollars), a nation with a population that is almost four times greater than America's.
- The FY 2010 deficit is larger than the economy of Russia (\$1.23 trillion, converted to U.S. dollars).
- The FY 2010 deficit is almost the size of Canada's economy (\$1.34 trillion in 2009), **larger** than Mexico's economy (\$875 billion), more than **double** Turkey's economy (\$614 billion), **three** times the economy of Sweden (\$406 billion), **four** times the economy of Argentina (\$310 billion), more than **five** times the economy of Portugal (\$233 billion), and more than **ten** times the economy of Ukraine (\$117 billion).
- More than **94%** of the world's economies are smaller than the U.S. FY 2010 deficit.

Since FY 2007 (the most recent year under Republican congressional control)...

- **Spending:** has increased from \$2.729 trillion to \$3.453 trillion—an increase of **\$724 billion** or **26.5%**.
- **The National Debt:** has increased from \$8.67 trillion to \$13.62 trillion—an increase of **\$4.95 trillion** or **56.9%**.
- **The Debt Limit:** has increased **six times**. Since the Democrats took over Congress, the debt limit has increased from \$8.965 trillion to \$14.3 trillion—an increase of \$5.3 trillion or 59%.
- **The Deficit:** has increased from \$161 billion in the last budget before Democrats took control of the Congress (FY 2007) to \$1.291 trillion—an increase of **\$1.13 trillion** or **701.9%**.
- **\$8.3 Trillion Deterioration to Nation's Budget Outlook:** In January 2007, the month Democrats took control of Congress, CBO projected that the federal government would run a budget surplus of \$800 billion over ten years (covering the period from 2008-2017). After three years of a Democrat-controlled Congress's economic and budget policies, the federal government is projected to run a deficit of \$7.5 trillion over the same period. **This is an \$8.3 trillion deterioration of the budget outlook in the three years since Democrats took control of Congress.**

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