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It's conventional wisdom in Washington to blame the federal government's dire financial outlook on runaway entitlement spending. Unless we rein in Social Security, Medicare and

Medicaid, the conventional wisdom goes, the federal government is headed for disaster.



(AP photo)

That's true in the long run. But what is causing massive deficits *now*? Is it the same entitlements that threaten the future?

Yes, say some conservatives who favor making entitlement reform a key issue in the 2012 campaign. "We're \$1.5 trillion in debt," Weekly Standard Editor Bill Kristol said Sunday, referring to this year's projected deficit. "Where's the debt coming from? It's coming from entitlements."

There's no doubt federal spending has exploded in recent years. In fiscal 2007, the last year before things went haywire, the government took in \$2.568 trillion in revenues and spent \$2.728 trillion, for a deficit of \$160 billion. In 2011, according to Congressional Budget Office estimates, the government will take in \$2.230 trillion and spend \$3.629 trillion, for a deficit of \$1.399 trillion.

That's an increase of \$901 billion in spending and a decrease of \$338 billion in revenue in a very short time. Put them together, and that's how you go from a \$160 billion deficit to a \$1.399 trillion deficit.

But how, precisely, did that happen? Was there a steep rise in entitlement spending? Did everyone suddenly turn 65 and begin collecting Social Security and using Medicare? No: The deficits are largely the result not of entitlements but of an explosion in spending related to the economic downturn and the rise of Democrats to power in Washington. While entitlements must be controlled in the long run, Washington's current spending problem lies elsewhere.

A lot of the higher spending has stemmed directly from the downturn. There is, for example, spending on what is called "income security" -- that is, for unemployment compensation, food stamps and related programs. In 2007, the government spent \$365 billion on income security. In 2011, it's estimated to spend \$622 billion. That's an increase of \$257 billion.

Then there is Medicaid, the health care program for lower-income Americans. A lot of people had lower incomes due to the economic downturn, and federal expenditures on Medicaid -- its costs are shared



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with the states -- went from \$190 billion in 2007 to an estimated \$276 billion in 2011, an increase of \$86 billion. Put that together with the \$257 billion increase in income security spending, and you have \$343 billion.

Add to that the \$338 billion in decreased revenues, and you get \$681 billion -- which means nearly half of the current deficit can be clearly attributed to the downturn.

That's a deficit increase that would have happened in an economic crisis whether Republicans or Democrats controlled Washington. But it was the specific spending excesses of President Obama and the Democrats that shot the deficit into the stratosphere.

There is no line in the federal budget that says "stimulus," but Obama's massive \$814 billion stimulus increased spending in virtually every part of the federal government. "It's spread all through the budget," says former Congressional Budget Office chief Douglas Holtz-Eakin. "It was essentially a down payment on the Obama domestic agenda." Green jobs, infrastructure, health information technology, aid to states -- it's all in there, billions in increased spending.

As for the Troubled Assets Relief Program, or TARP -- it has no specific line in the budget, either, but that is because it was anticipated to pay nearly all of its own cost, which it has.

Spending for Social Security and Medicare did go up in this period -- \$162 billion and \$119 billion, respectively -- but by incremental and predictable amounts that weren't big problems in previous years. "We're getting older one year at a time, and health care costs grow at 7 or 8 percent a year," says Holtz-Eakin. If Social Security and Medicare were the sole source of the current deficit, it would be a lot smaller than it is.

The bottom line is that with baby boomers aging, entitlements will one day be a major budget problem. But today's deficit crisis is not one of entitlements. It was created by out-of-control spending on everything *other* than entitlements. The recent debt-ceiling agreement is supposed to put the brakes on that kind of spending, but leaders have so far been maddeningly vague on how they'll do it.

This issue could be an important one in the coming presidential race. Should Republicans base their platform on entitlement reform, or should they focus on the here and now -- specifically, on undoing the damage done by Obama and his Democratic allies? In coming months, the answer will likely become clear: entitlements someday, but first things first.


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I keep saying "it's the spending stupid" but I should be saying "it's the stupid spending stupid". Your analysis shows that Obama's (political aid) spending is 58% of the problem. That money went to mostly to help states pay union state employees. And who is it that's Obama's biggest supporters? Public employees.

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