

“CIPHERIN” OBAMA’S 2012 BUDGET PROPOSAL – AN EARLY LOOK

Stephen L. Bakke – February 25, 2011



Chinese Abacus

Obama must have used this for his budget “Cipherin”

Trouble, Trouble, Trouble! Worry, Worry, Worry! Where to Bury Your Bone?

Obama’s 2012 budget proposal calls for an unbelievable spending level of \$3.73 trillion. The annual deficit is projected to be \$1.65 trillion in FY 2011, up from \$1.29 trillion in 2010. The deficit will be 10.9% of GDP – a post WWII record. Too much spending, too much tax, and too much borrowing—all of which has already failed to create jobs today and will make it harder for our children to find jobs in the future. That record federal borrowing prompted columnist Charles Krauthammer to describe it as “Louis XV indulgence,” an allusion to the wild royal spending that brought about the French Revolution. This is proof once again that Obama is committed in his belief in big and bigger government. He is certain that good things can happen only if the government thinks of it, funds it and controls it. He’s a government “control freak,” as are a disproportionate number of committed progressives. I still believe they are sincere – but they are simply WRONG! I believe the damage potential of this 2012 budget should cause major concern in all quarters – both here in the U.S. and around the world.

The Bipartisan Debt-Reduction Commission – He Ignored Their “Cipherin”

Our president established a bipartisan debt-reduction commission, and then ignored its findings – it was a ploy! The commission was adamant on their insistence that the fiscal problems would not be solved without significant changes in entitlement programs – Social Security, Medicare and Medicaid. These now comprise approximately 45% of the federal budget. He didn’t even address these areas in the budget. He punted! Even the liberal Washington Post wrote: "President Obama's budget kicks the hard choices further down the road." Additionally there must be across-the-board spending cuts in the entire budget. Even Newsweek editor at large Evan Thomas, who once gushed that Obama stood "above the world" as some "sort of God" (from a prior report), called the president's new budget a "profile in cowardice."

As Jed Clampett Often Said: “I Ain’t Much For Cipherin” – Neither is Obama

Obama stated: "We will not be adding more to the national debt. ... We're not going to be running up the credit card anymore." How can he say that when even his projections show higher deficits? Here are Obama's own deficit projections: 2012 – \$1.101 trillion; 2013 – \$768 billion; 2014 – \$645 billion; 2015 – \$607 billion; 2016 – \$649 billion; 2017 – \$627 billion; 2018 – \$619 billion; 2019 – \$681 billion; 2020 – \$735 billion, 2021 – \$774 billion. Ten year total – \$7.205

trillion — an average deficit of \$720 billion per year. How is the deficit paid for? By Borrowing, dummy! If it were paid for by taxes, IT WOULDN'T BE A DEFICIT!! GOOD GRIEF!!

Even the Washington Post criticized president's budgetary "gimmickry." And, as Charles Krauthammer reported, "the administration assumes economic growth levels higher than private economists and the Congressional Budget Office predict. Without this rosy scenario - using CBO growth estimates - \$1.7 trillion of revenue disappears and U.S. debt increases \$9 trillion over the next decade. This is almost \$1 trillion every year. Assume you buy the rosy scenario. Of what does this \$1.1 trillion in deficit reduction consist? Painful cuts? Think again. It consists of \$1.6 trillion in tax hikes, plus an odd \$328 billion of some mysterious bipartisan funding for a transportation trust fund (gas taxes, one supposes) - for a grand total of nearly \$2 trillion in new taxes. Classic Obama debt reduction: Add \$2 trillion in new taxes, then add \$1 trillion in new spending and, presto, you've got \$1 trillion of debt reduction. It's the same kind of mad deficit accounting as in Obamacare And what of those 'painful cuts' Obama is making to programs he really cares about? The catch is that these 'cuts' are from a hugely inflated new baseline created by the orgy of spending in Obama's first two years."

Balanced? Not Really! They're Just Playing a "Pretend" Game!

"This budget stands for the principle that we have to get our fiscal house in order We've put a plan forward that would get us to primary balance by the middle of the decade." So spoke OMB director Jack Lew to the House Budget Committee. Sound good? It's NOT!

"Primary balance" is a "pretend" concept. As Byron York reported last week, what Lew was saying was NOT that the federal budget, which today is running a \$1.65 trillion deficit, will be balanced in just a few years! He did not say the budget will be "balanced." He said it will reach something called "primary balance." There's a huge difference! York explained: "A balanced budget means government revenues and spending are roughly equal. But a budget in "primary balance," according to the Obama administration, occurs when revenues and spending are equal - - *excluding all the interest the government pays on its enormous debt*. Lew took things a step further, claiming that would mean '**we stop adding to the debt.**'"

The OMB Director Lew said the same thing as the President did – that we are not going to be added to the debt. **GOOD GRIEF AGAIN!!** The government cannot run budget deficits and not add to the national debt. INTEREST PAYMENTS ARE NOT "PRETEND" – THEY HAVE TO BE MADE!! This line of argument also left Senator Sessions amazed. He stated: "We add more under [the president's] plan to the national debt every single year. So how could this possibly be a position in which you will not be adding more to the debt? What world are we living in?"

More Problems With "Cipherin"

Dig behind many numbers and representations in the Obama budget proposal, and you will find some very quirky things as I have already shown. Lurita Doan is an opinion editorialist with Federal News Radio in Washington DC. She hosts the weekly program "Leadership Matters." She is also a former Administrator of the United States General Services Administration. A

recent column of hers put me onto an interesting exercise. It's very enlightening and it's not just playing with numbers. Actually, it sheds light on some real facts.

The FY12 Budget, on page 129, discusses the Administration's intent to crack down on businesses that are delinquent in paying taxes – a good idea. The Administration then "proposes a suite of legislative and administrative debt collection reforms that will yield more than \$5 billion of additional collections over the next 10 years from individuals and businesses that have failed to pay taxes." The government proposes doing this by hiring an additional 5,100 IRS workers. Good idea? Or not? Obama's analysis does not show the long-term cost of hiring new government workers. The focus is only on the revenue he believes will be recovered by these additional IRS workers rather than the cost of the recovery.

Peel Back the Onion

Ms. Doan's expertise and background helps us "peel back the onion" on some cost analyses, since the President chose not to do so. Each federal worker that is hired by the IRS for this type of activity is trained, well paid, and the recipient of generous fringe benefits. A cadre of thousands of employees needs infrastructure as well. That would include office space, furniture, computers, supplies, travel expenses, etc. I understand that the GSA has determined that the total life cycle costs of the average government worker is approximately \$3.2 million – all paid by taxpayers. Hence, the approximate life cycle cost of President Obama's 5,100 new federal workers at the IRS is \$16.32 billion dollars – in addition to the Administration's proposal of "more than \$240 million for a targeted set of new, revenue-generating tax enforcement initiatives aimed at closing the tax gap." That's quite a sum! But "sumpin'" smells!

All told, the Administration is proposing to spend almost \$17 billion in new (lifetime) costs for in order to "yield" about \$5 billion. Even considering the \$5 billion goal is intended to be accomplished in 10 years, and the fact that the \$17 billion cost extends for the employees entire tenure – perhaps 15 to 20 years – there just doesn't seem to be a high likelihood of any payback for this taxpayer expense. It just GROWS GOVERNMENT! Ms. Doan states that this lack of analysis and transparency "may be one of the reasons why the Obama Administration has bloated the budget and the deficit by over 300% in the two years they have been in office."

Mr. President, Clean Up Your Own Back Yard!

Ms. Doan suggests: "Here's a proposal that costs taxpayers next to nothing: Federal government workers currently owe **\$3 billion dollars in back taxes**, yet these workers continue to receive paychecks without garnishment of their wages by the federal government. These delinquent taxpayers are even eligible for salary and step increases, bonuses, paid holiday leave, paid vacation leave and promotions. President Obama could enforce a zero-tolerance policy for tax-delinquent federal workers. This 'common sense initiative' would help the Administration to meet its proposed 'yield' with a bit to spare – and all at no additional cost to taxpayers."

It seemed to start with the absurd OMB "scoring" for Obamacare (refer to prior reports) – Obama is always layering in one budget gimmick over another. (This report is just a "teaser.")