# Even CBO Deficit Projections Optimistic

Obama underestimated the deficit for the current fiscal year by $100 billion, the CBO says, adding that their latest deficit estimate for fiscal 2009 is $1.85 trillion. The divergence between the president's estimates and the CBO analysis increases with subsequent years. "CBO's estimates of deficits under the President's budget exceed those anticipated by the Administration by $2.3 trillion over the 2010–2019 period."

President Obama pledged to reduce the budget deficit to $533 billion by fiscal 2013, the end of his first term. But the CBO estimates the deficit would be $672 billion that year, and increasing.

Moreover, Obama can no longer blame the profligate Bush administration for leaving them with a deficit, as Obama's proposals would piggy-back on the Bush's policy of running up the deficit:

"As estimated by CBO and the Joint Committee on Taxation, the President's proposals would add $4.8 trillion to the baseline deficits over the 2010–2019 period. CBO projects that if those proposals were enacted, the deficit would total $1.8 trillion (13.1 percent of GDP) in 2009 and $1.4 trillion (9.6 percent of GDP) in 2010. It would decline to about 4 percent of GDP by 2012 and remain between 4 percent and 6 percent of GDP through 2019."

So much for Obama's pledge to "cut the deficit in half by the end of my first term in office." Thus far, all he's done is add to the deficit. Put another way, all he's done is continue the Bush deficit-spending policy.

But we likely haven't heard the last upward revision of deficit estimates. Even the CBO's most recent estimate is very optimistic, projecting that "real (inflation-adjusted) GDP falls by 1.5 percent in 2009 before growing by 4.1 percent in both 2010 and 2011."

The CBO report acknowledges that its projections are optimistic, and mentions that its recent estimates grossly underestimated the current deficit: "CBO's current forecast, particularly for the near term, is subject to a greater than normal degree of uncertainty.  Figure 2-3, based on CBO's past forecasting errors … assumes that financial markets will begin to function more normally and that the housing market will stabilize by early next year. The possibility that financial markets might not stabilize represents a major source of downside risk to the forecast."

The CBO's estimate is already behind the curve, however, as the report noted: "Inflation in consumer prices has been extremely low recently and, given the projection of persistently weak demand and excess productive capacity, it is expected to be low over the next few years as well." Published just days after the Federal Reserve Bank inflated the currency by pumping more than $1 trillion of new money into the economy, the report already looks dated.

*Photo of OMB Director Douglas Elmendorf: AP Images*