



Written by [Thomas R. Eddlem](#) on January 7, 2009

Obama's Plan: Increase the \$1.2 Trillion Deficit

Incredible as that may sound, that's precisely what he said when asked about dire new budget projections issued on January 7 from the Congressional Budget Office. At a January 7 press conference President-elect Obama said, in essence, that in order to reduce the deficit the nation has to increase the deficit:



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We're going to have to jump start this economy with my economic recovery plan, creating 3 million jobs. That's going to cost some money. And in the short term, we will actually see, potentially, additions to the deficit.

Obama's plan is for an \$800 billion "economic stimulus" (i.e., more government spending) over two years in addition to the \$750 billion bailout funded by Congress last year.

Forget that it's economically impossible for a government to spend a nation to prosperity (or the record Bush-era deficits would already have done it), or that an \$800 billion job creation package that creates three million jobs would cost taxpayers more than \$265,000 per job. Obama stated earlier in the press conference: "My own economic and budget team projects that unless we take decisive action, even after our economy pulls out of its slide, trillion-dollar deficits will be a reality for years to come."

By "decisive action," Obama means "spend more." He doesn't mean cut spending, now or any time during his presidency. Immediately after telling the press that Americans will see "additions to the deficit," he added: "As you point out, the key is going to be, medium term and long term, how do we bend the curve so that we start getting these deficits down to a manageable level?" In that statement, there's no intent to ever balance the budget. The deficits only need be at a "manageable level" in the long term. In the short term, i.e., during his four-year presidential term, he's okay with skyrocketing deficits.

Right now, the only limit on the ever-increasing deficits seems to be the limits in the depressed world credit markets. There may not be enough money out there to borrow, and the U.S. government may be deemed an unworthy credit risk for that kind of borrowing.

Here's Obama's economic plan in a nutshell:

Phase One (completed and agreed to jointly by Obama and the Bush administration): The crisis was created from the Federal Reserve Bank inflating the currency by loaning too much money on easy terms, so the solution was to have the Fed inflate the currency further by loaning more money on even easier credit terms. And Congress (with Obama's support) passed a \$700 billion bailout of those same private lending institutions who had loaned money on easy terms and caused the crisis in order for those same institutions to keep loaning money on easy terms.

Phase Two: The deficit is out of control, so the only way to get it back under control is to spend a lot



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more without raising taxes. This will bring the deficit down.

Two truisms come to mind when this two phase plan for economic recovery is laid out:

1. The definition of insanity is trying the same thing again and expecting a different result.
2. The working premise of all government bureaucrats is to claim: we failed, so the only solution is to give those of us who failed more money and more power.

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