

Deficit Spending and the Credit You Rode In On

By [The Mogambo Guru](#)

01/30/09 Tampa Bay, Florida The AP news service reports that “The federal government already has run up a record deficit of \$485.2 billion in just the first three months of the current budget year”, which is “more than four times the \$108.8 billion in red ink recorded during the year-ago period.”

In fact, things are looking so bad that “economists say the imbalance for the full year could easily top \$1 trillion.”

I say, “Well, it sure might!” as the AP goes on, “The Treasury Department reported Tuesday that the deficit for December totaled \$83.6 billion” which when multiplied by 12 months in a year comes to a staggering \$1.003 trillion!

Even more impressive in a scary kind of way that makes your skin clammy, this December deficit is “a sharp deterioration from a year ago when the government managed a surplus of \$48.3 billion” – which is a total change of \$132 billion, which multiplied by 12 for no apparent reason except that I have a calculator handy – as my boss just walked by, and clacking away on a calculator makes it look like I am working – gives a projected yearly deficit of \$1.58 trillion, which is both a large and meaningless number, but which will probably be Very, Very Close (VVC) to the real deficit for this upcoming fiscal year.

And this dismal December is proving to be quite the harbinger of the horrifying news that in the first three months of the budget year that began October 1, “revenues totaled \$547.4 billion, down by 9.7 percent from the year-ago period,” which means that the federal government got a huge 10% cut in income “mostly reflecting lower corporate tax collections because of the weak economy.”

In percentage terms, they say, “Spending over that period totaled \$1.03 trillion, an increase of 44.8 percent from a year ago!” Gaaahhh! Spending is up by half, even as income is down by a tenth! We’re freaking doomed!

And it is not any better on the state level, as I surmise from the MyBudget360.com headline “Fiscal Situation of 50 States: Combined Budget Gaps Estimated at \$350 Billion for 2010 and 2011” which is horrific news.

We are reminded that “40 Percent of the United States GDP comes from 5 States; California, Texas, New York, Florida, and Illinois” which means that as bad as the “Fiscal Situation of the 50 States” is, it is actually worse than it looks because Texas, and its big contribution to GDP, is one of just six states that are NOT currently projecting a budget shortfall either this year or next

(the other five states being Montana, North Dakota, Wyoming, Alaska and West Virginia)!
Hahaha!

Then we are reminded that “The aggregate of the 50 states is our country”, which means that we “will need to prepare for a challenging few years.”

“Challenging”? I’ll say! In fact, a study just done by the Nelson A Rockefeller Institute of Government looked at the 36 states that have reported fourth-quarter tax data, and found that sales taxes decreased by a whopping 6.5% compared with a year earlier, that corporate income taxes collapsed by a staggering 22.1% while total tax collections declined about 4%.

And speaking of taxes, I got the new 1040 Forms and Instructions for my 2008 taxes, and I see that the Earned Income Credit has now expanded to include almost everybody with dependent children, as you are qualified for the EIC credit (“Get cash back!”) if, “A child lived with you and you earned less than \$40,295 (\$43,415 if married filing jointly).”

And the EIC even pays a negative income tax (“Get cash back!”) to poor people without children, as long as, “A child did not live with you and you earned less than \$13,440 (\$16,560 if married filing jointly”), while there is still no help for those of us who have children and who earned more than \$43,415 married filing jointly; we just get the higher prices caused by all of this money being pumped into people’s pockets by the government.

And I notice that it seems that the number of tax credits is getting out of hand, as the 1040 Form has, on the form, a place to claim a foreign tax credit, credit for child and dependent care expenses, credit for the elderly or the disabled, education credits, retirement savings contribution credit, child tax credit, and credits from Forms 8396, 8839, 5695, 3800, 8801, whatever in the hell THEY are!

If that is not enough, there are other credits out there, too, which you can claim by checking the box labeled “c”, and then write in the name of the credit in the little space provided on the form! Too easy!

And speaking of easy, such huge governmental support combined with the Federal Reserve creating all the money and credit to loan to the government, then it is but child’s play to buy gold, silver and oil to capitalize on the stupidity! Whee!