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Obama's Spending Surge Lit U.S. Debt Bomb's Fuse

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During his first 44 months in office, President Obama's policies added $122 billion a month to the U.S. taxpayer burden. At the same time, those policies added only $40 billion a month to the tax base.

This is Obamanomics at work — an extremely rapid rise in outstanding Treasury debt compared to nominal GDP. U.S. taxpayer liabilities increased by a factor of three times as fast as the tax base during his leadership as president.

As of Sept. 20, the increase in outstanding Treasury debt, not adjusted for inflation, stood at $5.4 trillion. Simple division shows the president has added an average of $122 billion every month to the federal outstanding liabilities.

Nominal GDP, in comparison, increased from $13.9 trillion in the first quarter of 2009 to $15.6 trillion in the second quarter of 2012. It will likely increase another $100 billion or so in the third quarter.

That will put total GDP, not adjusted for inflation, at about $15.7 trillion in the quarter just ended. That means the increase in nominal GDP over 44 months has been nearly $1.8 trillion, $40 billion a month.

Each $122 billion of outstanding Treasury debt a month is associated with an increase in nominal GDP of $40 billion a month. This gives a multiplier of 0.33 for those who believe that very large federal deficits over $1 trillion help stimulate economic activity.

Each dollar of cost to the U.S. taxpayer results in an increase in economic activity of 33 cents — Obamanomics. This is a budget policy that Mr. Obama has chosen for the past four years. It is a path that creates instability, slow growth and high unemployment as U.S. taxpayer liability increases by three times the tax base.

How does Obamanomics compare with the budget policies of the prior two presidents — Bush and Clinton?

President Bush followed a big spending policy post-9/11. Choices he made added $51 billion a month to the tax burden (the increase in outstanding Treasury debt) while adding $39 billion a month to the tax base (the increase in nominal GDP). In total Bush added $4.9 trillion, not adjusted for inflation, to tax liabilities over his eight years while the tax base, not adjusted for inflation, increased by $3.76 trillion over that time. The federal tax liability increased by a factor of 1.3 times as fast as the tax base.

Not good, but Bush was much less aggressive than Obama in piling on the taxpayer liabilities. President Obama has not been in office a full four years, but it appears he will surpass Bush's cumulative Treasury outstanding debt increase, adjusted for inflation, achieved over eight years in a matter of four years.

Obama is the new holder of the world record in creating excessive Treasury debt compared to the growth in the economy.

President Clinton chose a very different path after the Cold War ended. He focused on leadership and growing the private sector of the economy and creating jobs. His policies added $16 billion a month to tax liabilities but $38 billion to the tax base. The tax base increased by a factor of 2.4 as fast as U.S. taxpayer liabilities increased, so that the ratio of outstanding Treasury debt to the size of the economy declined.

Result: Clinton chose compromise, had a very strong economy and full employment while Obama chose a budget path that resulted in a very weak economy with high unemployment.

In 2010 it appeared that Obama might take a leadership role to address tax reform, government spending and entitlement issues. He appointed members of a commission — Bowles-Simpson — to identify policies to improve the fiscal situation of the federal government and to achieve fiscal sustainability over the long run.

Americans know (including Obama, since he appointed the members of Bowles-Simpson) that the fiscal situation of the federal government is unsustainable. The report was completed in December 2010. And then?

Obama ignored the commission's recommendations to lower marginal income-tax rates and reduce the value of tax deductions in order to increase tax revenue. As a result, he failed in his role of leadership to encourage faster employment and economic growth.

There is no reason to expect a different budget policy if Obama is re-elected since he has already turned his back on Bowles-Simpson. Erskine Bowles of Bowles-Simpson and White House chief of staff for President Clinton said "this deficit and debt is like a cancer and is going to destroy our country from within."

President Obama allowed the debt cancer to spread instead of leading the charge for implementation of the Bowles-Simpson plan.

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