

Economics Group

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Federal Deficit Crossed the \$1 Trillion Mark in Style

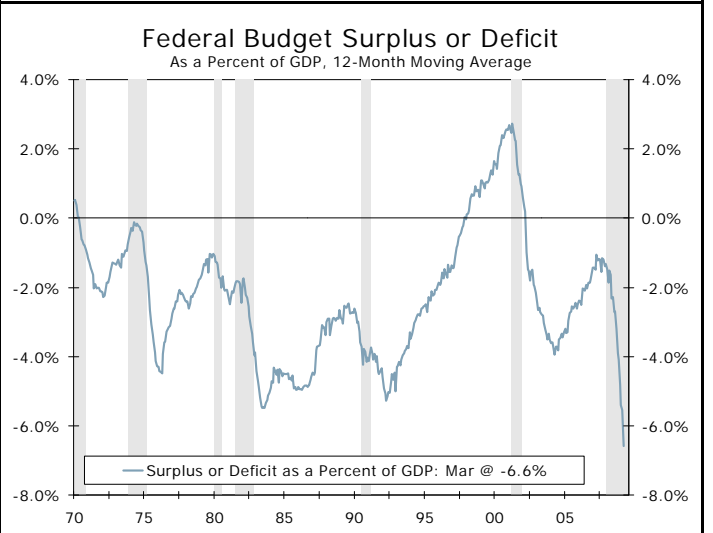
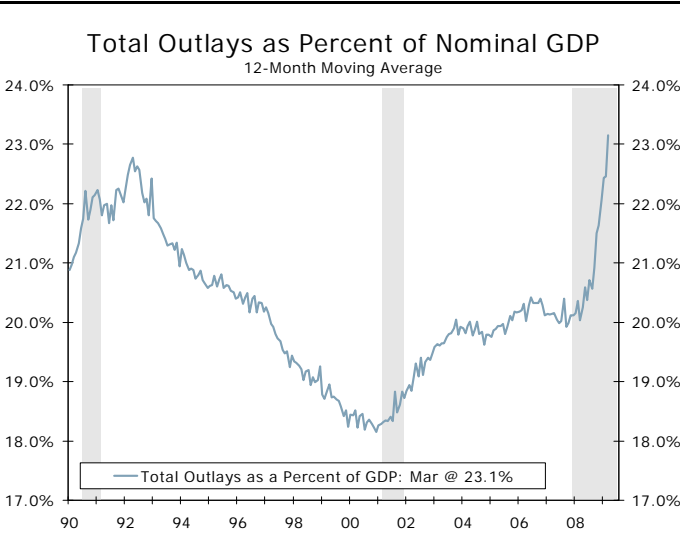
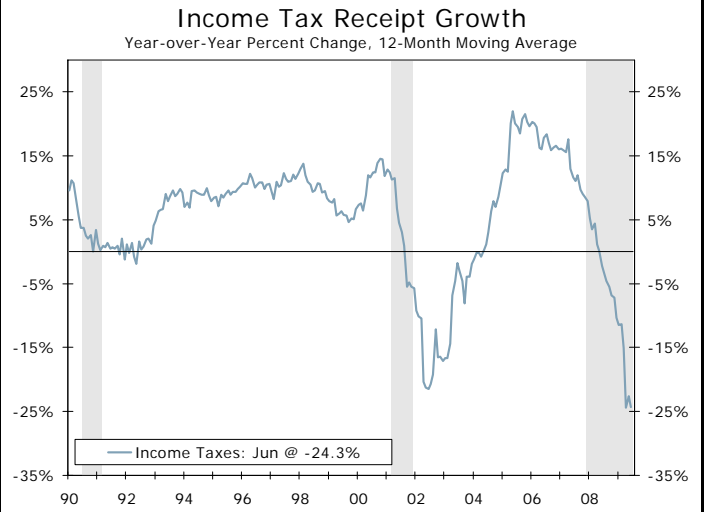
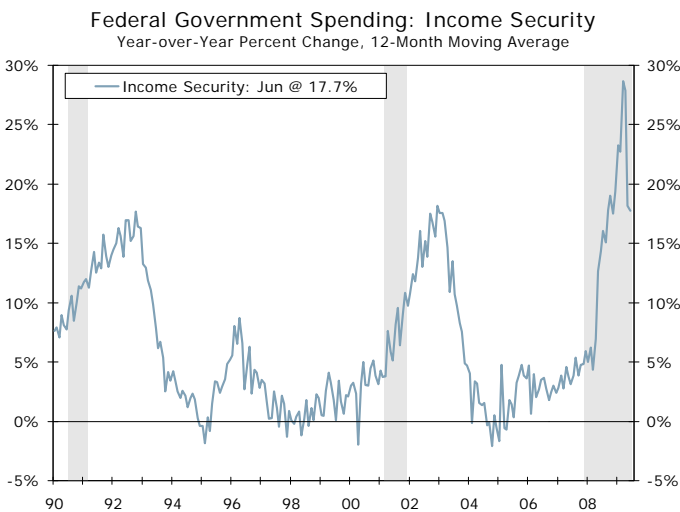
Both spending and tax receipts put in double-digit performances to produce our ten digit deficit. Spending came in at +20 percent over a year ago and receipts down 18 percent. No doubt where this train is going.

Spending: Entitlement Spending Leads the Way

- Medicare, Social Security and Income Security all recorded double digit gains in spending compared to a year ago. Such percentage increases are large even for a recession where these categories represent automatic stabilizers
- Total outlays have soared as a percent of nominal GDP. The government's command of economic resources is at a new high.

Revenues: Weakness Reflects Recession Pattern

- Both individual and corporate income tax revenues have fallen at double digit rates compared to a year ago.
- The Federal deficit is now at a post-WWII high and is likely to continue to rise in the near term as deficits rise and the economy remains weak. These deficits will influence the allocation of global savings for the foreseeable future.



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