



Deficits 101

What are budget deficits?

- If the government spends more money than it takes in during a given year, it runs a **deficit**.
- The United States has run deficits for 48 of the last 50 years. In 2015, the deficit will be an estimated \$468 billion.¹
- The government borrows money to pay for these yearly deficits. The **federal debt** is the overall amount of money the government owes its creditors.

Why do we have deficits?

- During recessions, **tax revenue declines** while the government **responds to greater need by spending more** on public services. The opposite occurs as the economy grows.
- Our current federal deficits are due primarily to the **recession, spending on the Iraq and Afghanistan wars, and recent tax cuts**. Without these, the federal budget would nearly be balanced.²
- In the longer term, rapidly **rising healthcare costs and the retirement of baby boomers** are expected to drive up Social Security, Medicare, and Medicaid spending with lower tax revenues coming in, creating unsustainable future deficits.³

Why should deficits be addressed?

- If the government continues to accumulate debt to pay for its yearly deficits, it must devote a greater portion of the budget to interest payments. The government's interest payments will continue to grow as debt builds up, **leaving little room for anti-hunger and anti-poverty programs**.
- Eventually the government reaches a "debt explosion," where interest rates skyrocket, government borrowing seriously discourages private investment, and the government loses its ability to respond to a crisis.⁴
- A responsible deficit reduction plan will address the **true drivers of the debt without cutting needed services** or threatening the fragile economic recovery.

What does this mean for hungry and poor people?

- Many in Congress want to reduce the deficit through massive spending cuts, **disproportionately** hurting hungry and poor people in the United States and around the world.
- Congress must take a holistic approach to the federal budget that includes revenue raisers, such as closing tax loopholes and eliminating tax breaks, in addition to spending cuts. We should reduce our debt and deficit without sacrificing programs for hungry and poor people.

To reduce our nation's deficit, Congress must consider the federal budget in its entirety. Congress must create a **circle of protection** around funding for programs that are vital for hungry and poor people in the United States and abroad.

Endnotes

- ¹ Congressional Budget Office. "The Budget and Economic Outlook: 2015 to 2025." <http://www.cbo.gov/publication/49892#>
- ² Center on Budget and Policy Priorities. "Critics Still Wrong on What's Driving Deficits in Coming Years." <http://www.cbpp.org/cms/?fa=view&id=3036>
- ³ Congressional Budget Office. "The Long-Term Budget Outlook." <http://www.cbo.gov/ftpdocs/115xx/doc11579/06-30-LTBO.pdf>
- ⁴ Congressional Budget Office. "Federal Debt and the Risk of a Fiscal Crisis." http://cbo.gov/ftpdocs/116xx/doc11659/07-27_Debt_FiscalCrisis_Brief.pdf

