Basic Facts on the *Deficit*

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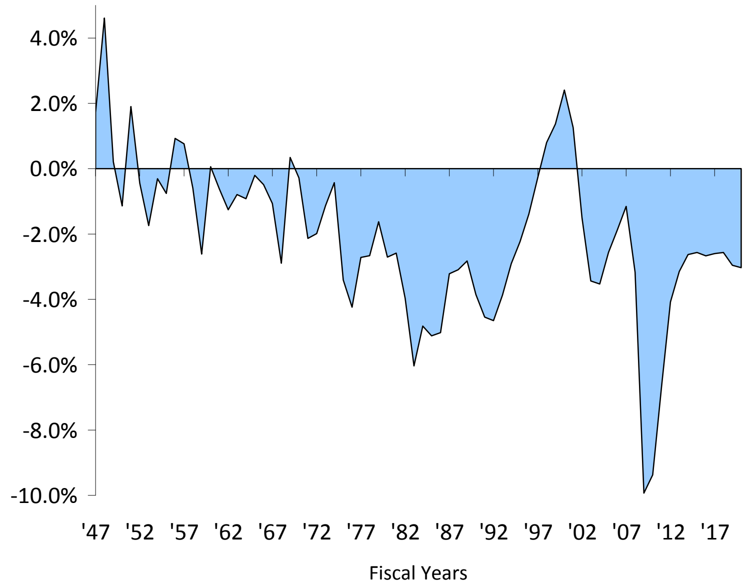
The U.S. government is spending more than it is bringing in. The result is the budget deficit.

- Over the next 10 years, the deficit is projected to exceed $10 trillion if current budget policies are continued.
- By 2019, even under optimistic assumptions, the deficit will be 5.5 percent of GDP, an extremely high figure in good times.
- Deficits are a problem because whether financed domestically or abroad, they result in reduced national income for the United States and its citizens, tougher credit for homeowners, and reduced expansion possibilities for businesses.
- Deficits can also spark investors' fears and result in a sharp rise in interest rates.
- Ultimately, higher taxes and slowing the growth of federal spending are key to reducing the deficit.
- Health care reform is an important component of slowing spending: the CBO projects that reform will reduce the deficit over from 2010 through 2019, and, over the 10-year period beginning in 2020, reduce the deficit by $1.5 trillion.

Deficit or Surplus as a Percentage of GDP



Source: The Urban Institute, 2010. Data from CBO and OMB.

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