

## Mandatory Spending to Exceed all Federal Revenues — 50 Years Ahead of Schedule

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March 16, 2011 9:00 AM

We have now gotten to the point — as I noted yesterday — where if national defense, interstate highways, national parks, homeland security, and all other discretionary programs somehow became absolutely free, we'd still have a budget deficit. The White House Office of Management and Budget projects that in the current fiscal year (2011), mandatory spending alone will exceed all federal receipts. So even if we didn't spend a single cent on discretionary programs, we still wouldn't be able to balance our budget this year — let alone pay off any of the \$14 trillion in debt that we have already accumulated.

Just an Olympiad ago, in 2007, the picture was quite different. In fact, in that year, federal revenues not only exceeded mandatory spending, but they exceeded it by more than \$1 trillion (\$1.117 trillion, to be more exact). The next year, 2008, during which the gap fell to a still-huge \$914 billion, the Bush administration released a report issuing a rather dire warning (p. 25). The report said that, "if left unchanged, mandatory spending alone is projected to exceed total projected Government receipts in approximately 50 years." That dire prediction has now come true — about 50 years earlier than projected.

Through the years, mandatory spending has steadily increased (with some fluctuation from year to year) in relation to revenues. Here is mandatory spending as a percentage of total federal receipts, by year, according to published White House figures:

1970: roughly 33 percent  
2000: 47 percent  
2005: 61 percent  
2010: 90 percent  
2011: 101 percent

The trajectory seems clear. Meanwhile, President Obama has not proposed entitlement reform. He has, however, proposed adding a massive new entitlement: Obamacare. At the same time, the baby boomers' retirements are looming, which means higher entitlement expenditures and a smaller proportion of the population available to finance them. In light of all of this, what do the Obama administration's projections for mandatory spending as a percentage of total federal receipts look like, going forward? Here they are:

2012: 81 percent  
2013: 73 percent  
2014: 70 percent  
2015: 69 percent

Seriously?

These estimates are made possible because (among other things) the Obama administration is projecting a 21 percent increase in federal receipts from 2011 to 2012. Never mind that we haven't seen an increase like that in 40 years. In fact, the largest increase in the past 40 years has been 16 percent.

How is the Obama administration's track record in forecasting such increases? For 2010, it projected a 9 percent increase in receipts. The actual tally was 3 percent. For 2011, it projected a 19 percent increase in receipts. Just one year later (in this year's budget), it has now modified that projection to less than 1 percent (actually, to 0.5 percent). So

that's a swing from projecting the highest increase in the past 40 years, to projecting essentially no increase at all — in just 12 months.

To tackle our very real fiscal crisis, we need serious numbers and serious leadership, not just blind hope that things will (somehow) change. Now that we are at the point where our total receipts cannot even cover our mandatory spending, entitlement reform would seem to be an obvious necessity. Yet only one house of one branch of the federal government has thus far shown any real signs of being able to see the obvious.

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