

## Is Obama a Big Spender?

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Last week, Rex Nutting, a reporter for MarketWatch, became famous when the White House used his analysis of government spending. He wrote that “there has been no huge increase in spending under the current president.”

We like Rex Nutting. He seems like a fair-minded analyst. But we emphatically disagree. This is not personal, heck, it’s not even political. Data from the Congressional Budget Office (CBO) shows President Obama has been a huge spender.

Three times a year, the CBO releases a “budget baseline” – a ten-year estimate of federal revenue and spending, assuming no changes to tax or spending laws. Every time it releases a new baseline, CBO explains how much it has changed due to laws that were not in effect at the time of the old baseline. It also estimates the impact of any change in the economy or interest rates, as well as changes due to technical factors, like how fast banks repaid TARP.

In January 2009, just before President Obama took office, CBO said federal spending would be \$3.388 trillion in FY 2012. Now, CBO says we’re going to spend \$3.627 trillion this year. That’s an increase of \$239 billion.

But that increase can be broken down into two factors. Going through every budget report since January 2009, economic and technical changes have actually *reduced* spending by \$95 billion! Meanwhile, “legislative changes” – laws passed under President Obama – have added \$334 billion.

Those legislative changes represent a 9.9% increase in spending, with 93% of the increase coming in President Obama’s first two years in office. In other words, on top of all the spending increases under President Bush (including wars in Afghanistan and Iraq) as well as the “automatic stabilizers” that kick in when unemployment is high – record-high Food Stamps and Medicaid – President Obama has directly layered on an additional \$334 billion.

As a result, we think our method *underestimates* the surge in spending under President Obama. Moreover, economic models show that more government spending reduces economic growth, which, in turn, boosts spending and reduces tax revenue. In other words, if we added dynamic effects, the President’s impact on spending would be greater.

Back in January 2009, CBO thought this year’s spending would be 21.8% of GDP and the deficit would be \$274 billion. Instead, it is 23.4% of GDP, with an expected deficit of \$1.17 trillion. And this is after a new Congress fought to cut spending and came under vicious attack for doing so.

Outside a full mobilization war, our government has never spent so much. Excluding defense and interest, before 2009, spending was never higher than 15% of GDP. Now, at 17.6%, Obama’s own budgets show us never getting back below 15% again. We wish Nutting were right, but spending under President Obama has soared.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
5-29 / 9:00 am	Consumer Confidence - May	69.6	<b>69.5</b>	<b>64.9</b>	69.2
5-31 / 7:30 am	Q1 GDP Preliminary	1.9%	<b>1.8%</b>		2.2%
7:30 am	Q1 GDP Chain Price Index	1.5%	<b>1.5%</b>		1.5%
7:30 am	Initial Claims - May 26	370K	<b>368K</b>		370K
8:45 am	Chicago PMI – May	56.8	<b>58.3</b>		56.2
6-1 / 7:30 am	Non-Farm Payrolls – May	150K	<b>138K</b>		115K
7:30 am	Private Payrolls - May	164K	<b>145K</b>		130K
7:30 am	Manufacturing Payrolls – May	16K	<b>19K</b>		16K
7:30 am	Unemployment Rate – May	8.1%	<b>8.0%</b>		8.1%
7:30 am	Average Hourly Earnings - May	+0.2%	<b>+0.2%</b>		0.0%
7:30 am	Average Weekly Hours – May	34.5	<b>34.5</b>		34.5
7:30 am	Personal Income - Apr	+0.3%	<b>+0.3%</b>		+0.4%
7:30 am	Personal Spending - Apr	+0.3%	<b>+0.3%</b>		+0.3%
9:00 am	Construction Spending – Apr	+0.3%	<b>+0.4%</b>		+0.1%
9:00 am	ISM Index – May	53.8	<b>54.4</b>		54.8
Afternoon	Domestic Car/Truck Sales –May	11.2 Mil	<b>11.1 Mil</b>		11.1 Mil