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Date: October 2, 2009

Client: Kapitall University

Title: What is the U.S. Budget Deficit?

Version: 02

**The U.S. Budget Deficit**

"Neither a borrower 'nor a lender be," the Bard once said. And for 16 of the last 20 years, the U.S. federal government has sagely ignored that advice.

The *U.S. Budget Deficit* is the amount by which the United States federal government spends more on goods, services and debt (called "outlays"), than it takes in from taxes, fees and other revenues (called "receipts").

Not to be confused with the *national debt*, which is the total of all outstanding federal government borrowing over all years, the Budget Deficit is the shortfall that occurs in any one fiscal year, which for the federal government runs from October 1 to September 30. Should the government take in more in receipts than it spends in outlays, as it did most recently from FY 1998 through FY 2001, that excess is called a *Budget Surplus*.

The *U.S. Budget Deficit* for FY 2008 was $454 billion. The *U.S. Budget Deficit,* as estimated by the Congressional Budget Office, is expected to reach approximately $1.6 trillion in FY 2009 (ended September 30, 2009), and $1.5 trillion in FY 2010.

Federal budget deficits can have an impact on financial markets and the economy. Although there is some disagreement about the long-term effects, most economists believe that federal deficits can contribute to inflation through increases in the money supply, and can push interest rates higher as well, as the federal government competes with private borrowers over the finite amount of money available to lend.

But despite running large federal budget deficits for most of the past decade, the United States economy has continued to enjoy both low inflation and historically low interest rates. The size of the projected deficits for FYs 2009, 2010 and beyond, however, are greater relative to the wealth of the country than at any time since World War II, and there is continuing concern that this level of deficit spending could create, some time in the near future, unhealthy spikes in inflation and/or interest rates.