
Subject: The Deficit and why George wants one
Posted by [Manualblock](#) on Thu, 11 May 2006 16:38:16 GMT
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The deficit is sometimes mistakenly called the public debt but it has no relation to that figure. The deficit is increased government debt created by the need for funds to continue paying the costs of government. The govt raises money by selling bonds on the open market, called T-Bills. These are important because they require interest to be paid on the note which eventually means higher taxes to finance them. The govt uses deficit spending to create an economic growth in order to stave off a recession. However when there is what is called Jobless Growth; thats when output grows while the unemployment rate stays the same; That is an inflationary cycle and in that case deficit spending is not beneficial. Furthermore most of the debt is held by wealthy individuals which creates an income inequality. Thats why Bush wants to cut taxes for the wealthy; because they hold most of the governments borrowed money in the form of T-Bills. So now they pay less capital gains taxes on those bonds and as such place a greater burden on the middle class to pay taxes. Thats why he favors Deficit Spending. Don't be fooled into thinking that public debt is of any importance here; the deficit is what matters. Talking about public debt is apples and oranges.
