# Starboard Weekly Report Ending September 11, 2015
## Charts of the Week

### White House Office of Management & Budget



**Table S–4. Adjusted Baseline by Category** [1]
(In billions of dollars)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Totals 2016-2020 | Totals 2016-2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Outlays:** | | | | | | | | | | | | | | |
| Appropriated ("di | | | | | | | | | | | | | | |
| Defense ...... National Defense ▶ | 596 | 589 | 631 | 659 | 665 | 673 | 687 | 699 | 717 | 734 | 752 | 770 | 3,315 | 6,987 |
| Non-defense Federal Government ▶ | 525 | 558 | 563 | 568 | 569 | 576 | 585 | 595 | 607 | 621 | 636 | 650 | 2,860 | 5,968 |
| Subtotal, appropriated programs ... | 1,121 | 1,147 | 1,194 | 1,227 | 1,234 | 1,248 | 1,271 | 1,293 | 1,324 | 1,355 | 1,388 | 1,420 | 6,174 | 12,955 |
| Mandatory programs: | | | | | | | | | | | | | | |
| Social Security | 845 | 891 | 938 | 991 | 1,051 | 1,116 | 1,184 | 1,253 | 1,325 | 1,402 | 1,483 | 1,569 | 5,280 | 12,312 |
| Medicare | 505 | 529 | 585 | 596 | 608 | 675 | 727 | 782 | 875 | 906 | 934 | 1,038 | 3,190 | 7,725 |
| Medicaid | 301 | 329 | 344 | 364 | 382 | 403 | 423 | 447 | 473 | 501 | 531 | 567 | 1,916 | 4,434 |
| Other mandatory programs | 504 | 627 | 680 | 672 | 690 | 739 | 767 | 797 | 843 | 845 | 848 | 899 | 3,549 | 7,781 |
| Subtotal, mandatory programs | 2,156 | 2,375 | 2,548 | 2,623 | 2,730 | 2,932 | 3,101 | 3,278 | 3,516 | 3,654 | 3,797 | 4,073 | 13,934 | 32,252 |
| Net interest ............ Interest on Debt ▶ | 229 | 229 | 283 | 364 | 429 | 493 | 560 | 619 | 681 | 744 | 801 | 857 | 2,129 | 5,832 |
| Adjustments for disaster costs [2] | ........ | 2 | 6 | 8 | 8 | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 40 | 90 |
| Joint Committee enforcement [3] | ........ | ........ | –67 | –97 | –103 | –106 | –107 | –108 | –55 | –38 | –33 | –3 | –479 | –716 |
| Total outlays | 3,506 | 3,753 | ◀ Spending $3.753 trillion | | | | 34 | 5,093 | 5,477 | 5,725 | 5,963 | 6,357 | 21,798 | 50,412 |
| **Receipts:** | | | | | | | | | | | | | | |
| Individual income taxes | 1,395 | 1,477 | 1,610 | 1,707 | 1,834 | 1,915 | 2,026 | 2,146 | 2,271 | 2,400 | 2,529 | 2,661 | 9,072 | 21,076 |
| Corporation income taxes | 321 | 342 | 433 | 434 | 441 | 448 | 455 | 466 | 481 | 496 | 510 | 521 | 2,212 | 4,686 |
| Social insurance and retirement receipts: | | | | | | | | | | | | | | |
| Social Security payroll taxes | 736 | 766 | 797 | 839 | 880 | 920 | 958 | 1,010 | 1,060 | 1,107 | 1,159 | 1,206 | 4,395 | 9,939 |
| Medicare payroll taxes | 224 | 234 | 244 | 257 | 270 | 284 | 295 | 311 | 326 | 341 | 357 | 372 | 1,351 | 3,058 |
| Unemployment insurance | 55 | 56 | 55 | 54 | 53 | 50 | 51 | 52 | 53 | 56 | 57 | 58 | 262 | 539 |
| Other retirement | 9 | 9 | 9 | 10 | 11 | 11 | 11 | 12 | 13 | 13 | 14 | 15 | 53 | 119 |
| Excise taxes | 93 | 96 | 100 | 105 | 107 | 109 | 112 | 115 | 118 | 121 | 125 | 129 | 533 | 1,141 |
| Estate and gift taxes | 19 | 20 | 21 | 23 | 24 | 26 | 27 | | | | | | | |
| Customs duties | 34 | 37 | 39 | 42 | 45 | 48 | 50 | | | | | | | |
| Deposits of earnings, Federal Reserve System | 99 | 94 | 77 | 46 | 39 | 41 | 46 | | | | | | | |
| Other miscellaneous receipts | 37 | 45 | 43 | 59 | 58 | 60 | 63 | | | | | | | |
| Total receipts | 3,021 | 3,175 | ◀ Income $3.175 trillion | | | | 34 | | | | | | | |
| **Deficit** ........ Deficit ▶ | 485 | 578 | 535 | 547 | 556 | ▶ Deficit | | | | | | | | |
| Net interest | 229 | 229 | 283 | 364 | 429 | 493 | 560 | | | | | | | |
| **Primary deficit** | 256 | 349 | 251 | 183 | 127 | 173 | 180 | | | | | | | |
| On-budget deficit | 514 | 590 | 532 | 535 | 527 | 617 | 662 | | | | | | | |
| Off-budget deficit / surplus (–) | –30 | –12 | 3 | 12 | 30 | 49 | 78 | | | | | | | |

Current Debt

Beginning 2015 $18.14

2015 + 578 Billion
2016 +535 Billion
2017 +547 Billion
2018 +556 Billion



**In the middle of 2018 the Deficit will Exceed $20 Trillion**

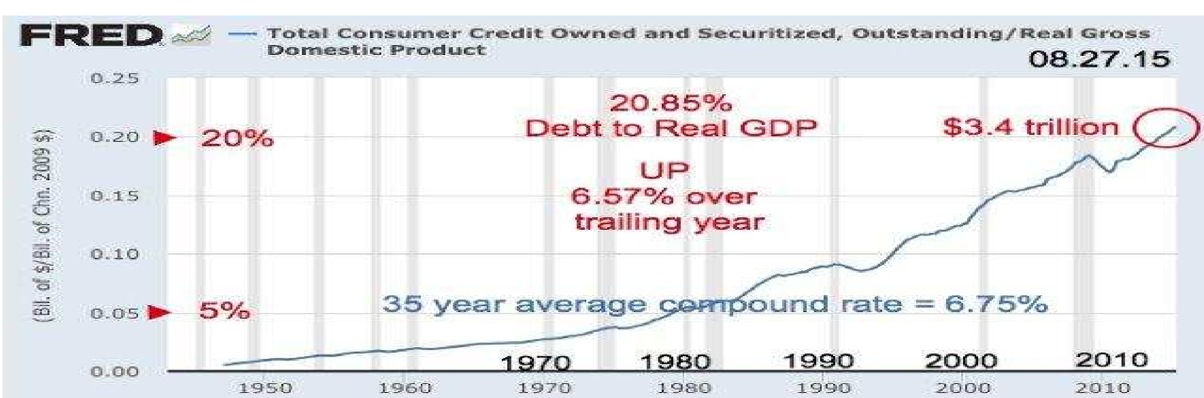
**Interest Payments on National Debt**

On a $20 trillion debt debt level, interest payments of 3% would be:

**$600 billion dollars**

That would be greater than today's cost of:

| | |
|---|---|
| National Defense - | $589 billion |
| Medicare - | $529 billion |
| Medicaid - | $329 billion |
| The entire Federal discresionary budget - | $558 billion |



The top table is a public document from the Office of Management and Budget (OMB) on past and future US Government budgets. Red highlighting is provided by EconLink 360. The bottom chart from the FED web site shows the growth of consumer debt in the US.

**TECHNICAL**

There is not much in the way of technical analysis for the OMB table, except to call your attention to the red print. The color is appropriate since the government is hemorrhaging red ink through their deficit spending. You will be hearing a great deal about these numbers in the coming weeks as Congress and the White House fight over the annual budget battle. The Financial Times had a recent headline that read "A *Perfect Storm* brewing over the budget". These numbers are alarming, especially the annual interest bill exceeding all other government expenditures by 2018. The second chart shows how tapped out on debt the US consumer is. In previous Weekly Reports, I have mentioned many times that debt will be the single culprit for the expected crash in equities. The borrowing viewed in the OMB report, along with QE, has strengthened the stock market. And this has made the consuming public feel comfortable; watching their portfolio's rise and thus taking on more debt. As the economic system deleverages and portfolio growth wanes, the consumer will take a holiday that will negatively impact the economy. For all those in the media and on Wall Street preaching more market escalation, the technical indicators say that they are wrong. Those that have been following this Weekly Report know that indicators we have shown of late are clearly stating the party is over.

**FUNDAMENTAL**

Excessive worldwide leverage has been used by politicos to create a façade of economic growth. The irony of this mountain of debt is that it has driven interest rates to lower levels through deflation. It seems to be perverse supply-demand logic, but in many cases the lower rates are manufactured by government central banks in order to lower interest rate costs. Try to imagine interest rates at 5 or 6% and what that would do to our budget. If the Chinese start selling their US Treasury Bonds to shore up their economy and our rates exceed 3%, then we will be faced with serious budget problems. The expectation now is for more deflation. However, if that changes to inflation and we start to grow, then rates would rise again and hurt the budget process. When I talk of rising rates, I'm not referring to the charade surrounding whether the FED will raise short-term rates by 0.25%. The deleveraging is going to be painful, but we have reached a point of non-growth where we must do something other than more *can* kicking.

**ASIDE**

Eugen von Böhm-Bawerk's brilliant insight: "*debt is future consumption denied*"
The recent extreme market volatility and our Weekly Charts signaling a strong bear market are in fact indications that we have reached our period of consumption denial. Since 70% of the US economy is based on consumption, denial of it will have serious recessionary effects.