

John Williams'
Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting

COMMENTARY NUMBER 606
Preliminary U.S. Government GAAP-Based 2013 Fiscal Conditions
March 6, 2014

2013 GAAP-Based U.S. Deficit Was About \$6.2 Trillion

PLEASE NOTE: The next regular Commentary is scheduled for tomorrow, Friday, March 7th, covering February 2014 employment and unemployment, and the January trade deficit. Publication of the full Special Commentary on 2013 GAAP accounting for the U.S. government and the Second Installment on the hyperinflation report also are planned in the week ahead.

Best wishes to all — John Williams

PREVIEW OF DETAIL IN GAAP-ACCOUNTING SPECIAL COMMENTARY

Subject to possible minor refinement, the federal deficit for fiscal-year 2013 (year-ended September 30th) was roughly \$6.2 trillion, versus \$6.6 trillion in 2012, based on the government's generally-accepted accounting principles (GAAP), and as adjusted for a consistent-estimation basis with 2012 and for the year-end 2013 accounting and reporting gimmicks of the U.S. Treasury, which had been operating at its statutory debt-ceiling for five months, and was on the brink of a government shutdown. The federal government's GAAP-Based fiscal deficit, remains beyond control and containment, and the long-term U.S. sovereign-solvency issues remain a significant concern for the global financial community.

The headline cash-based deficit for 2013 was reported at a headline \$680.3 billion (\$0.7 trillion), down from a \$1,089.4 billion (\$1.1 trillion) headline deficit in 2012. Before accounting for the changes in

unfunded liabilities for government programs, the GAAP-based 2013 deficit was about \$1,157 billion, versus \$1,316 billion in 2012.

Total federal obligations at year-end 2013 totaled \$91.7 trillion, up from \$85.4 trillion in 2012. These obligations included gross federal debt and the net present value of unfunded liabilities. The 2013 total was 5.7 times the level of nominal (not-adjusted for inflation) GDP for the full fiscal-year.

The [*2013 Financial Report of the United States Government*](#) was published on February 27th, but there are issues with the comparable net-present-values of the unfunded liabilities in government programs such as Social Security and Medicare, with favorable changes to key assumptions—having the effect of reducing reported deficits—seen between 2012 and 2013 reporting. The annual numbers need to be viewed on a comparable basis in order to be meaningful. The positive-assumption changes more than offset the effects of the unfavorable changes. Changed assumptions in 2013, versus 2012, included such factors as more-positive economic growth in the future, a greater decline in illegal immigration, and greater increased medical cost savings from the Affordable Care Act (Obamacare). Aside from being inconsistent, the changes were not credible.

Again, the other major issue of comparability or appropriate accounting involved the impact of U.S. Treasury machinations, given its operating at the federal debt ceiling for five months into and including September 30, 2013, and beyond.

The preliminary results highlighted here are reasonably close to the estimates assessed and discussed for 2013 in [*Hyperinflation 2014—The End Game Begins*](#), starting on page 44. Other than for the accounting-gimmicks assessment, the broader analysis pending in the *Special Commentary* will not be much different.

These statements have required extensive review and analysis, particularly in terms of changes made in reporting or in underlying assumptions that are not on a basis consistent with prior statements. Without accounting for the inconsistent reporting, the GAAP-based estimate for the 2013 deficit, before changes in unfunded liabilities, would have been \$805 billion, instead of \$1,157 billion, while the 2013 deficit including unfunded liabilities would have been \$3.5 trillion instead of \$6.2 trillion.

The differences in accounting will be described in detail in the forthcoming full *Special Report* on the GAAP accounting for 2013, which should be published next week as an adjunct to the *Second Installment of Hyperinflation 2014—Renewed Economic Tumble*.