

Bush Administration Said No Fear of Budget Deficits

“Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens.”

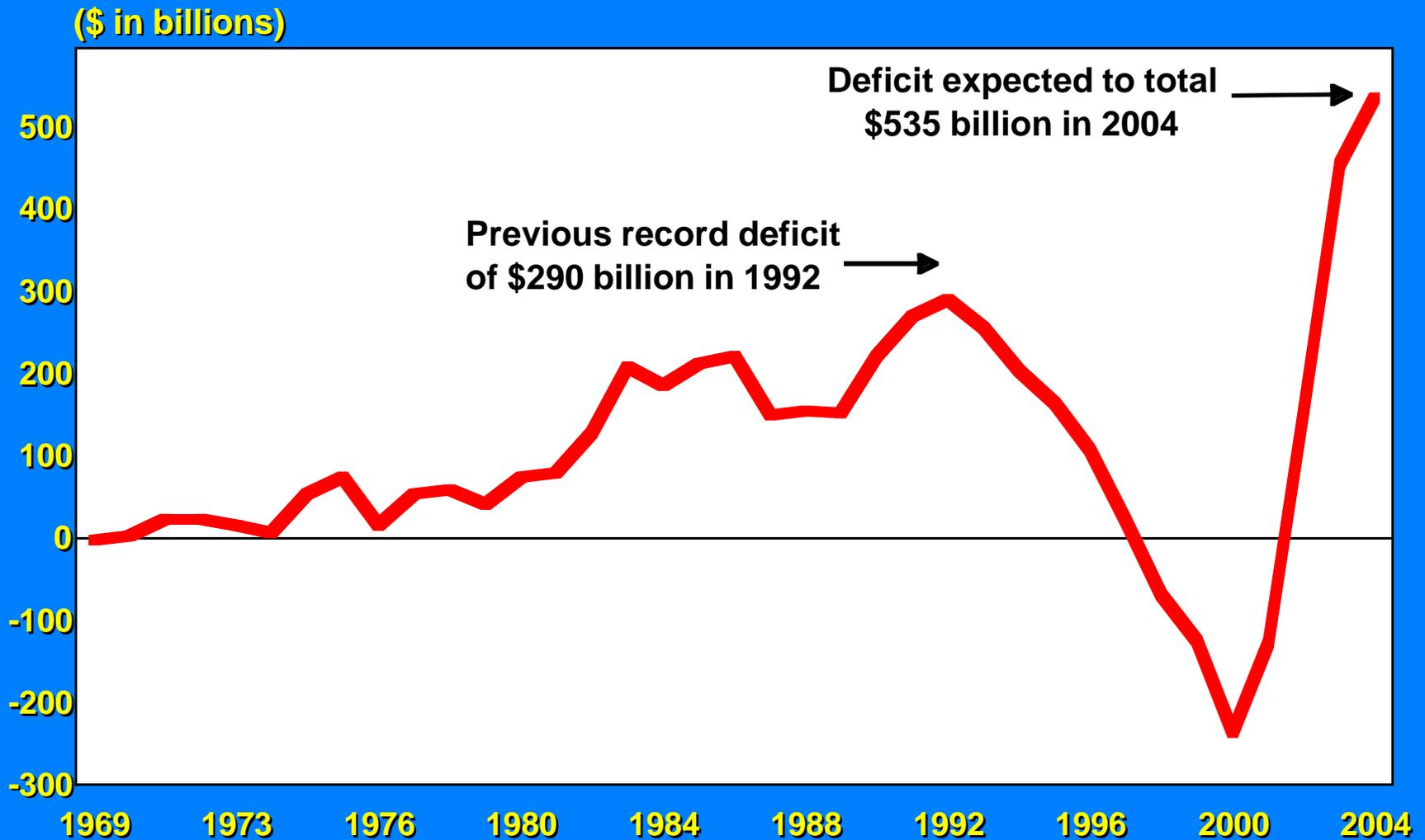
**–President Bush
Remarks at Western Michigan University
March 27, 2001**

President Bush on Running Deficits

“...[O]ur budget will run a deficit that will be small and short-term...”

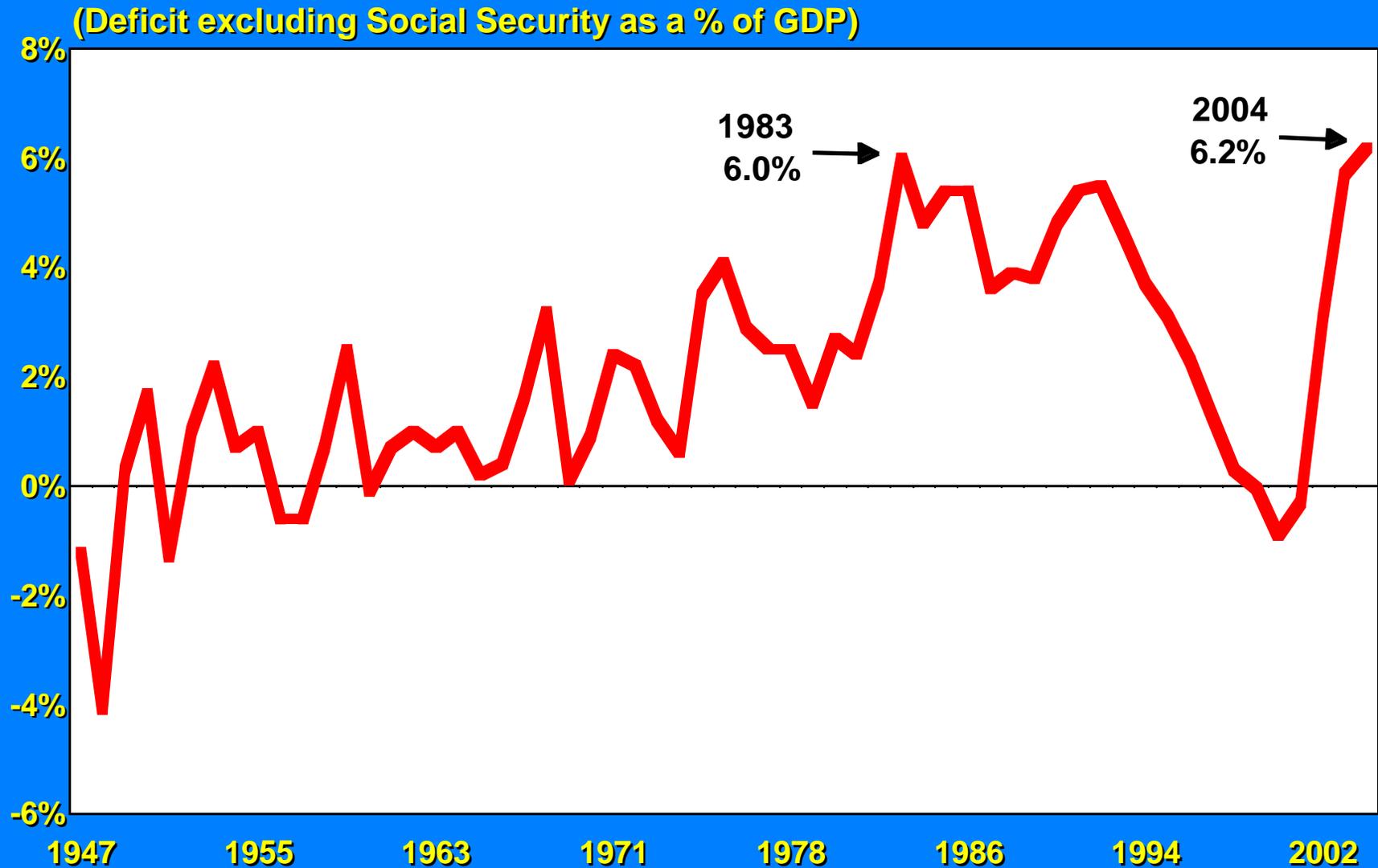
**–President George W. Bush
State of the Union Address
January 29, 2002**

Deficit This Year and Next Will Far Exceed Previous Record in Dollar Terms



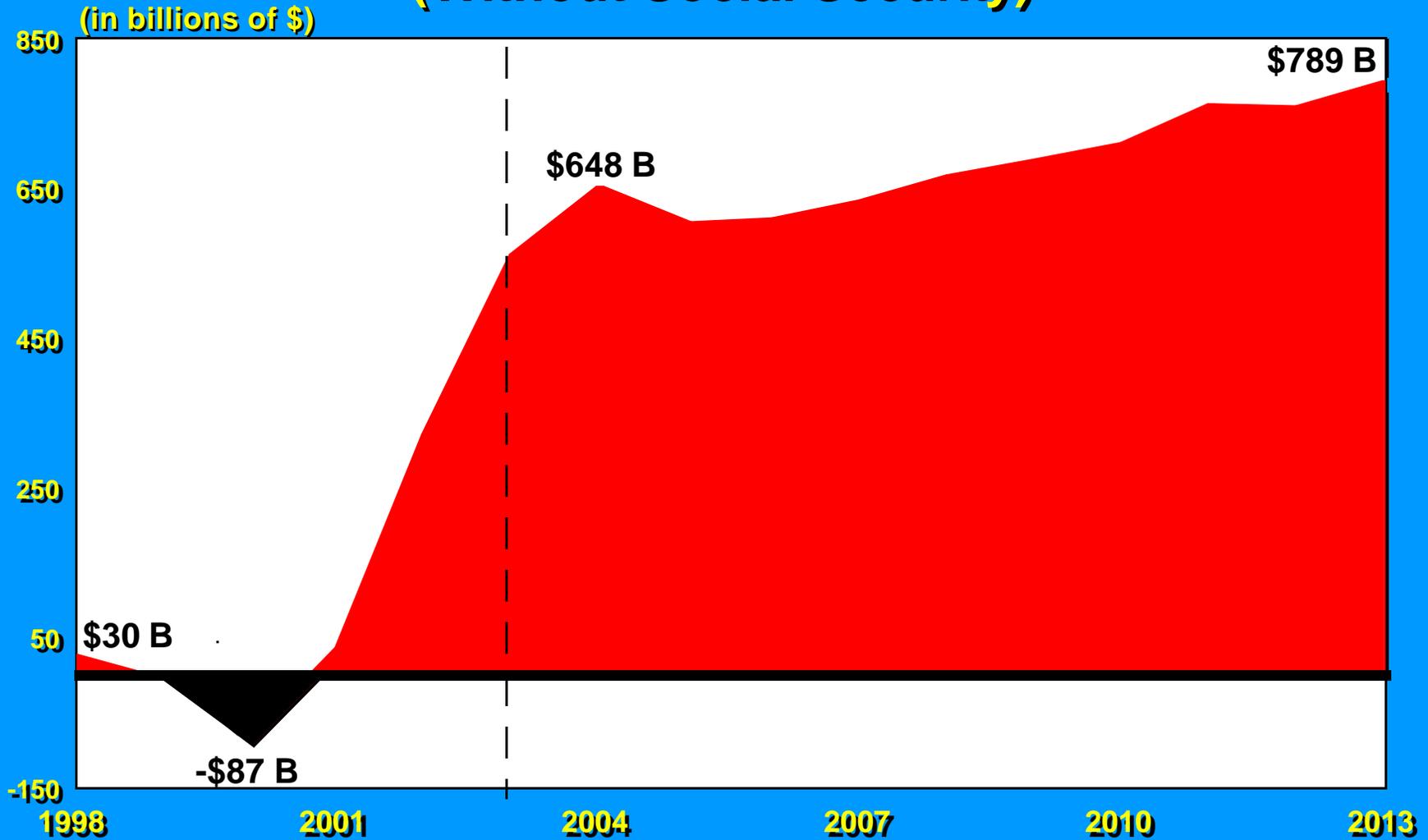
Source: OMB

Deficit as a Share of Economy Has Not Reached This Level Since the End of World War II



Source: OMB

SkYROCKETING Deficits, Including Additional Budget Policies (Without Social Security)

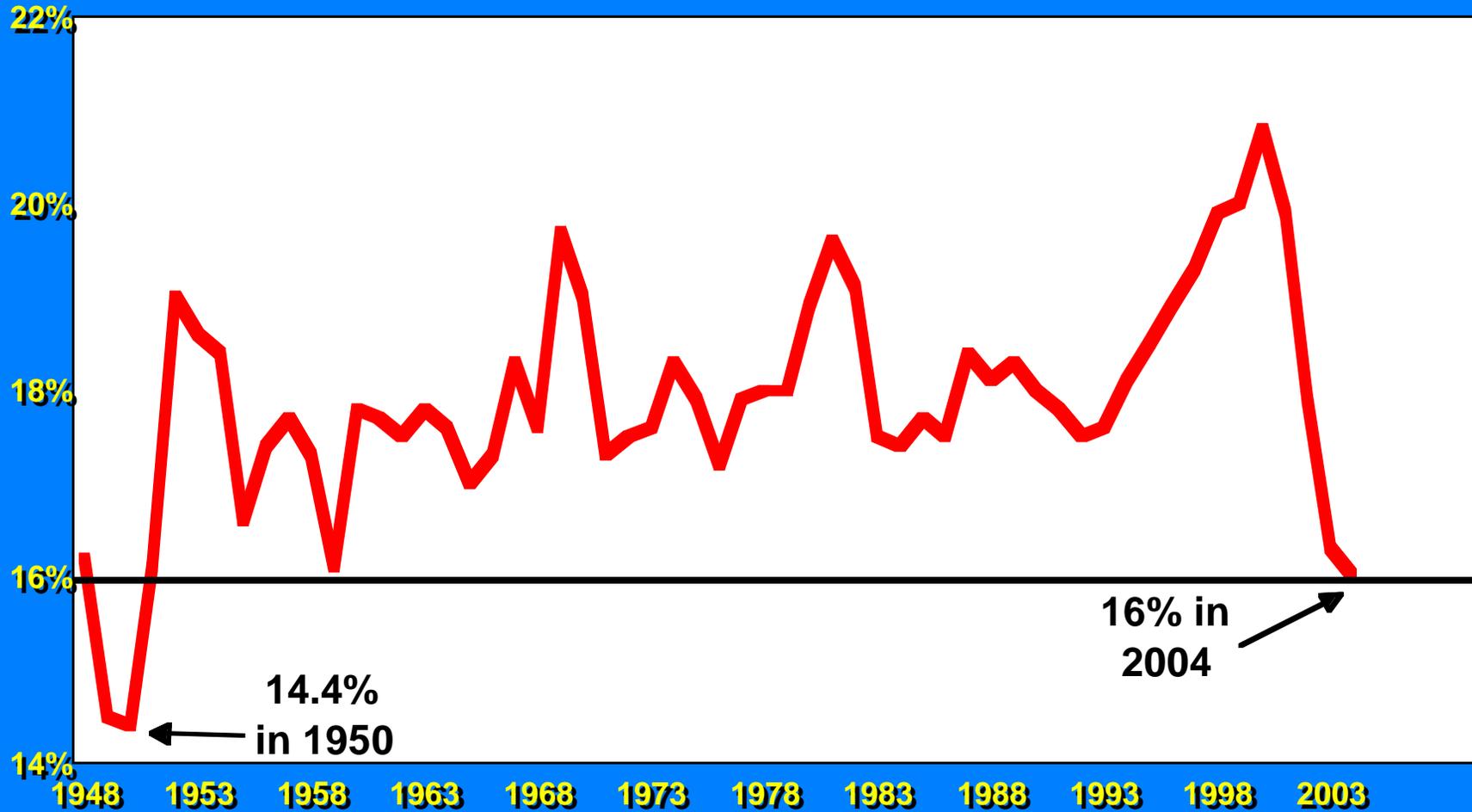


Source: CBO

Note: Includes CBO estimates of the extension of expiring taxes, AMT reform, and a prescription drug benefit.

Revenues as a Percent of GDP

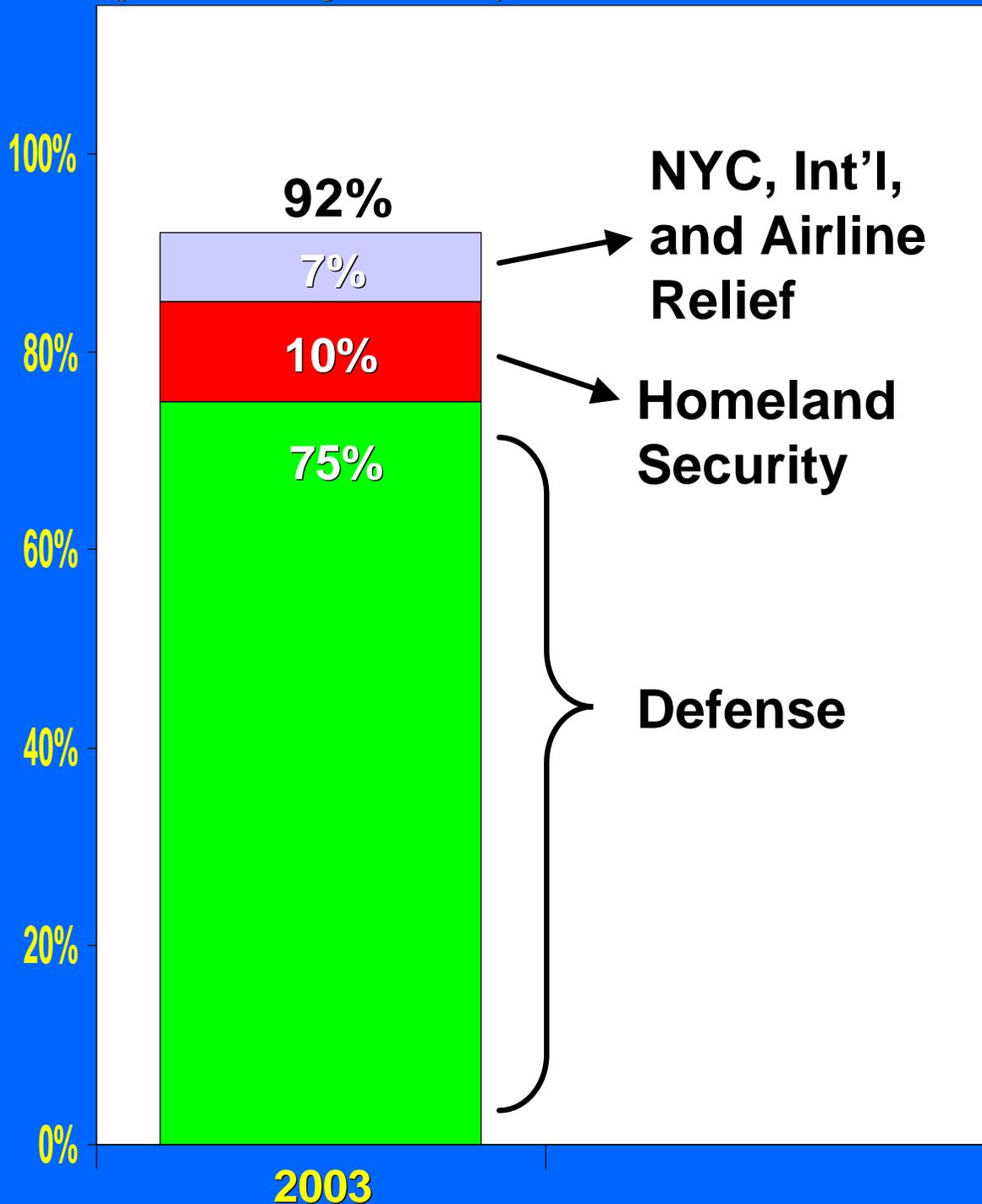
Lowest Level Since 1950



Source: OMB

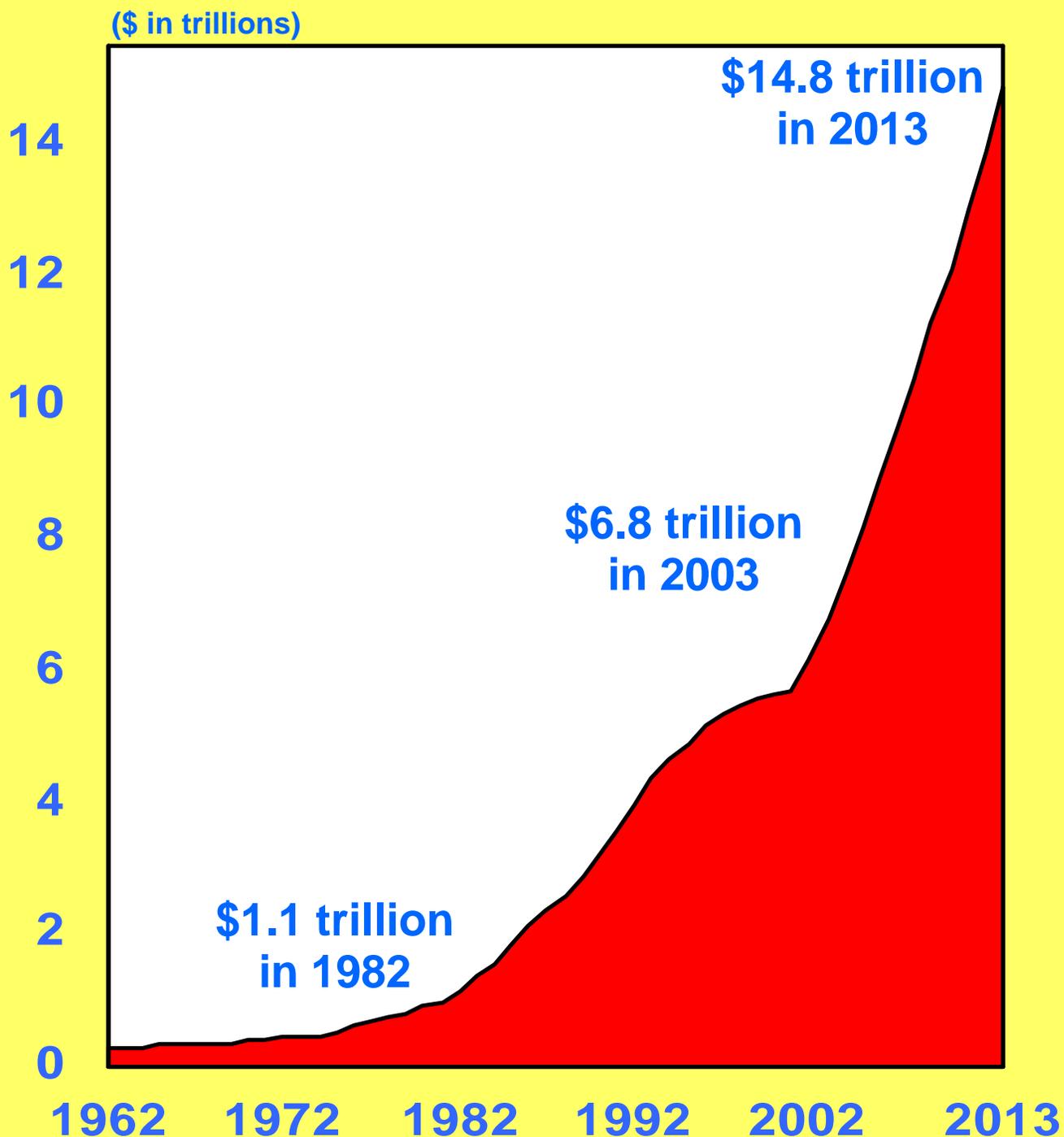
Defense, Response to Attacks of Sept. 11, and War in Iraq Are Behind Increase in Discretionary Budget Authority in 2003

(percent of change in disc. BA)



Note: Compares CBO's January 2001 and August 2003 baselines for 2003.
Source: CBO and Senate Budget Committee, Democratic Staff.

Gross Federal Debt With Additional Budget Policies

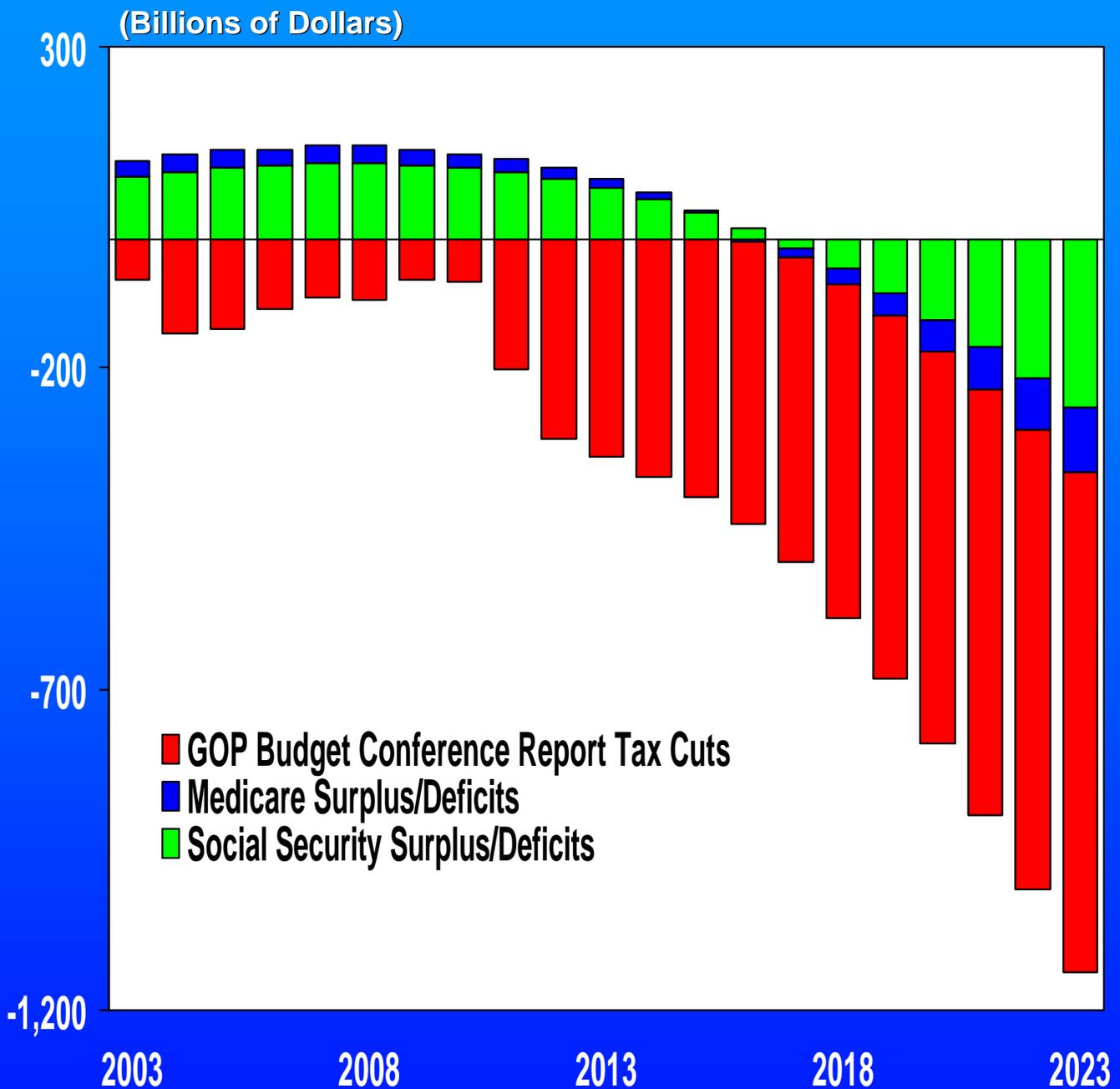


Source: CBO, Senate Budget Committee

*Additional policies include CBO estimates of the extension of expiring taxes, AMT reform, and a prescription drug benefit.

Tax Cuts Explode as Trust Fund Cash Surpluses Become Deficits

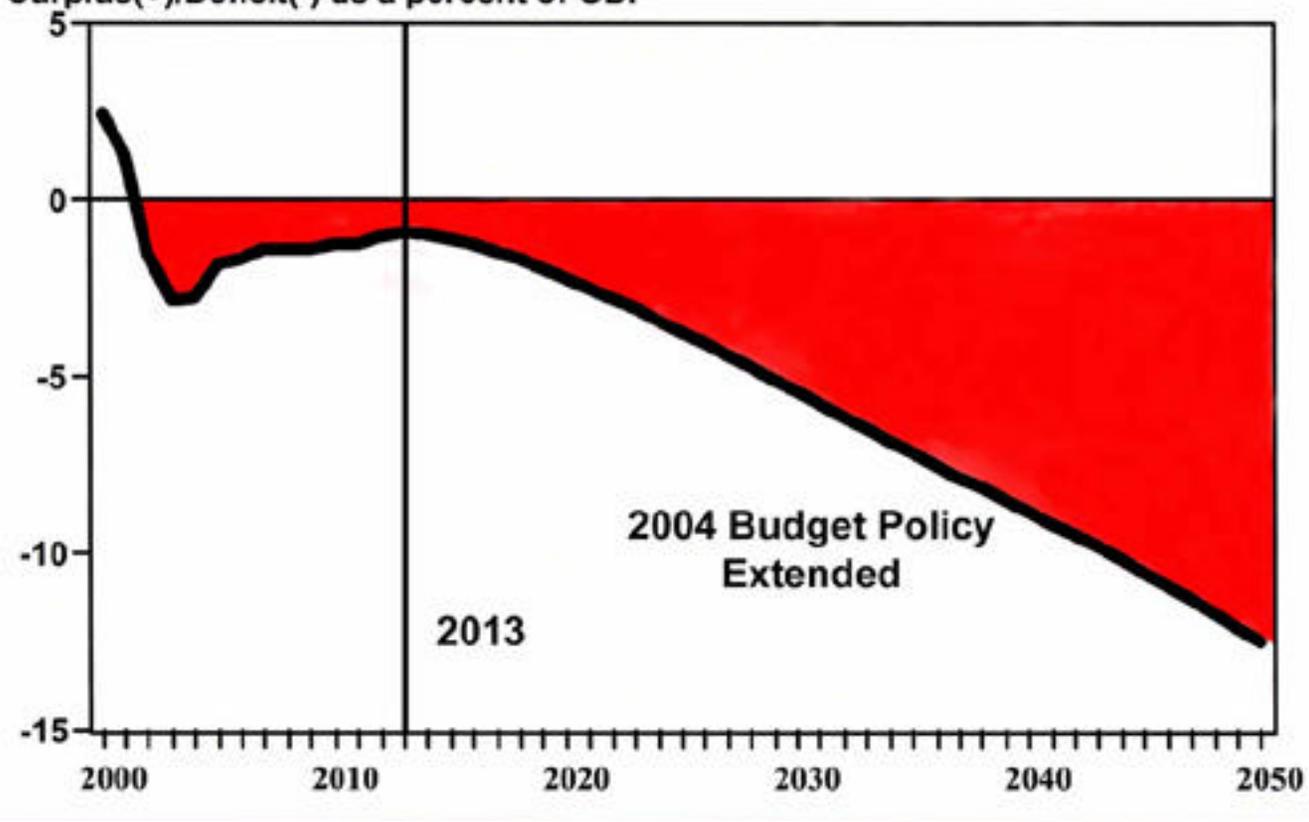
FY 2003-2023



Source: 2002 Trustees Report, CBO, and Senate Budget Committee Staff
 Note: Tax cut includes associated interest costs.

The Next Ten Years: The Budget "Sweet" Spot

Surplus(+)/Deficit(-) as a percent of GDP



Source: President's Budget for FY 2004, Analytical Perspectives, p. 43.

CBO Director Holtz-Eakin Believes Deficits Matter

“To the extent that going forward we run large sustained deficits in the face of full employment, it will in fact crowd out capital accumulation and otherwise slow economic growth.”

**–CBO Director Douglas Holtz-Eakin
Testimony before the Senate Budget Committee
September 3, 2003**

Fed Chairman Alan Greenspan Believes Deficits Matter

“There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended.”

**–Testimony before the Senate Banking Committee
February 11, 2003**

CBO Warns of Dangers of Current Fiscal Course

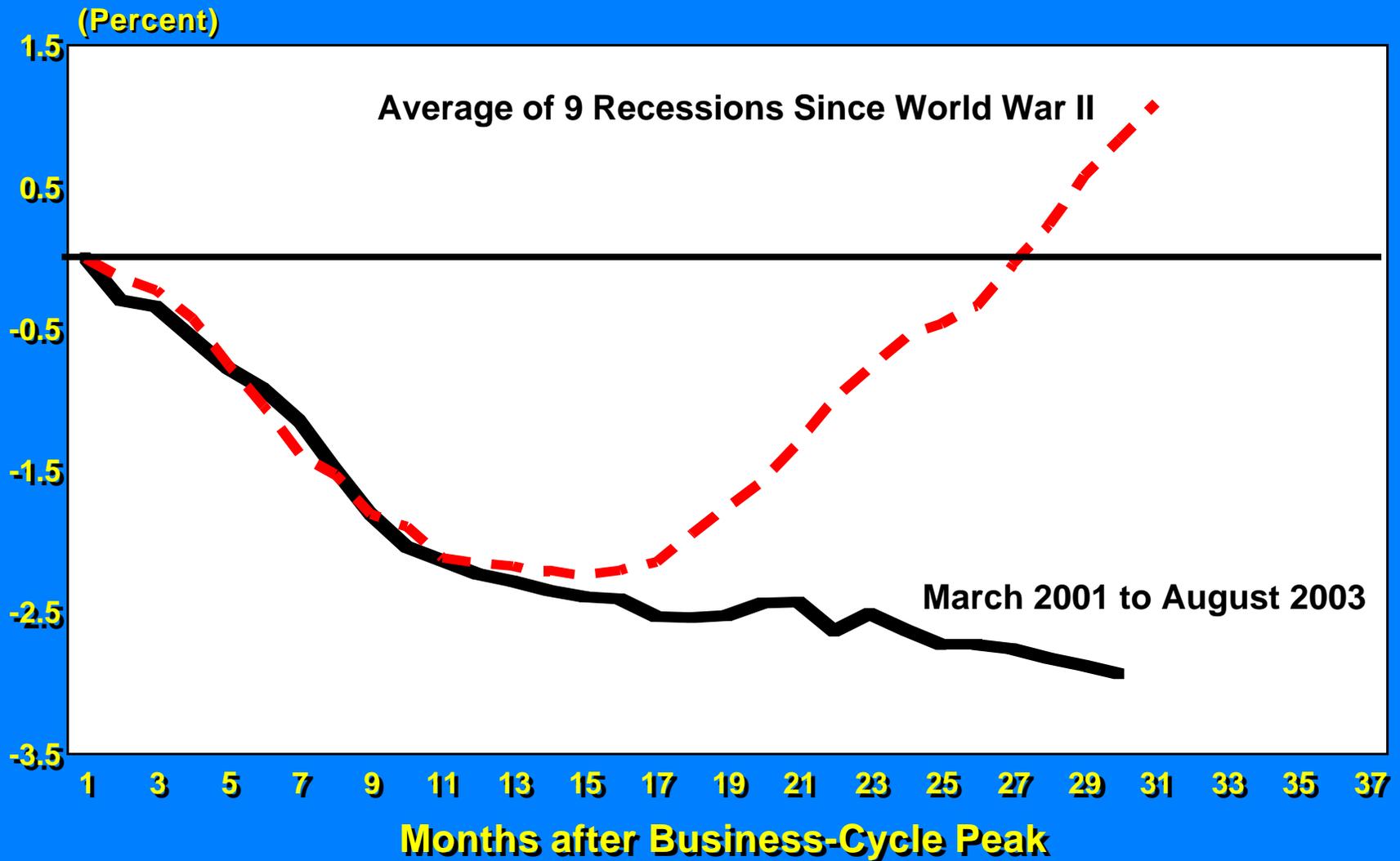
“This course prompted the Congressional Budget Office to issue an unusual warning in its forecast last month: If Congressional Republicans and the administration get their wish and extend all the tax cuts now scheduled to expire, and if they pass a limited prescription drug benefit for Medicare and keep spending at its current level, the deficit by 2013 will have built up to \$6.2 trillion. Once the baby boomers begin retiring at the end of this decade, the office said, that course will lead either to drastically higher taxes, severe spending cuts or ‘unsustainable levels of debt.’”

–*New York Times*, “Dizzying Dive to Red Ink Poses Stark Choices for Washington”

By David Firestone
September 14, 2003

The Job-Loss Recovery

Private-Sector Jobs, Percent Change from Business-Cycle Peak



Source: BLS