

Bush's \$10 Trillion Borrowing Binge

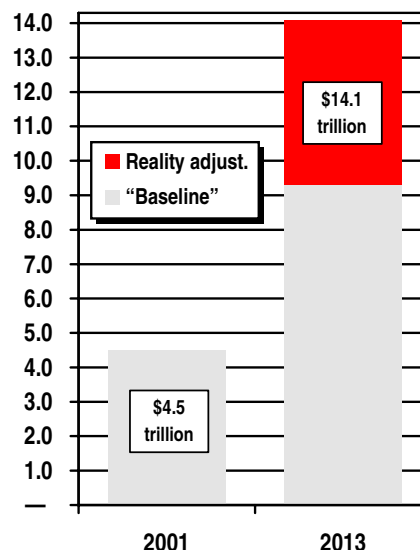
New projections from the Congressional Budget Office indicate that continuation of President Bush's budget policies will triple the national debt by the end of fiscal 2013. Left unchecked, Bush's reckless approach to fiscal policy will saddle our children with an additional \$10 trillion in debt just ten years from now.

This is one of the frightening projections in CBO's August report, *The Budget and Economic Outlook: An Update*, part of CBO's "alternative scenario" to its so-called "baseline" budget projections. Unlike the baseline, the alternative takes a more realistic approach to predicting future spending and taxes. Primarily, that means dropping the implausible baseline assumptions that federal appropriations will plummet as a share of the economy, that tax cuts ostensibly "sunsetting" will really go away, and that the alternative minimum tax will engulf 30 million families.

The effects of CBO's more realistic predictions are striking. By fiscal 2013, for example, the projected annual deficit in the regular budget under Bush's policies skyrockets to \$1.1 trillion—more than ten times bigger than the non-credible "baseline" estimate of \$105 billion.

Some of CBO's important information is hidden in footnotes, and nowhere is everything added up. But with a little arithmetic, here's what CBO's nonpartisan experts seem to think is a reasonable assessment of where George W. Bush's policies are taking our nation:

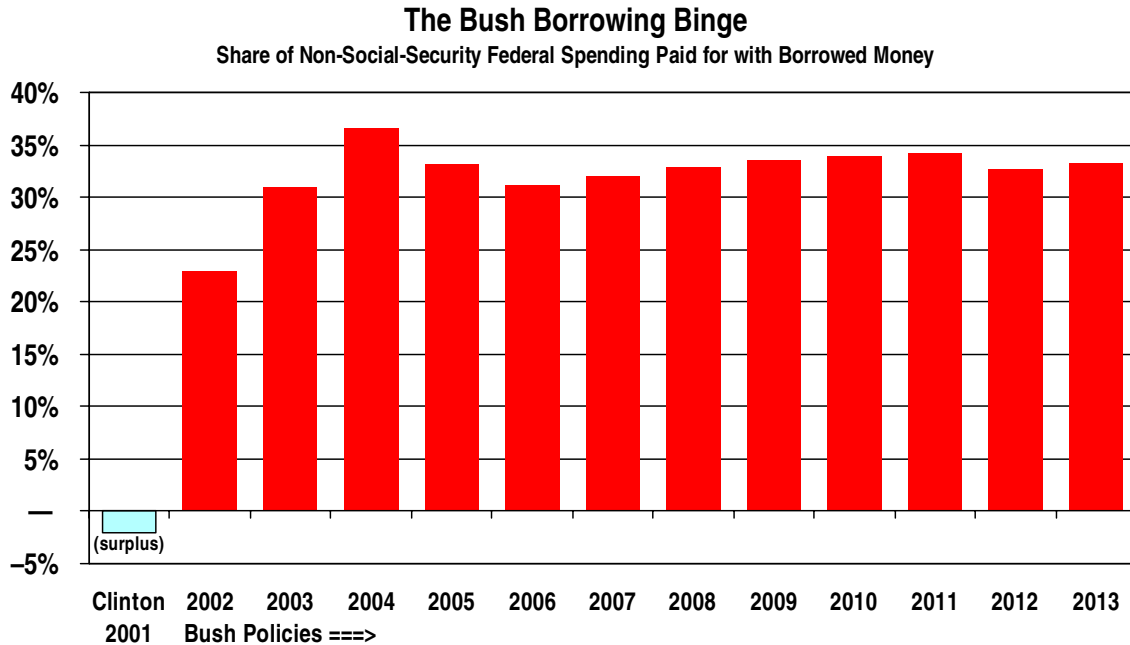
The Bush National Debt
Projected 2013 vs. Actual 2001
\$-trillions



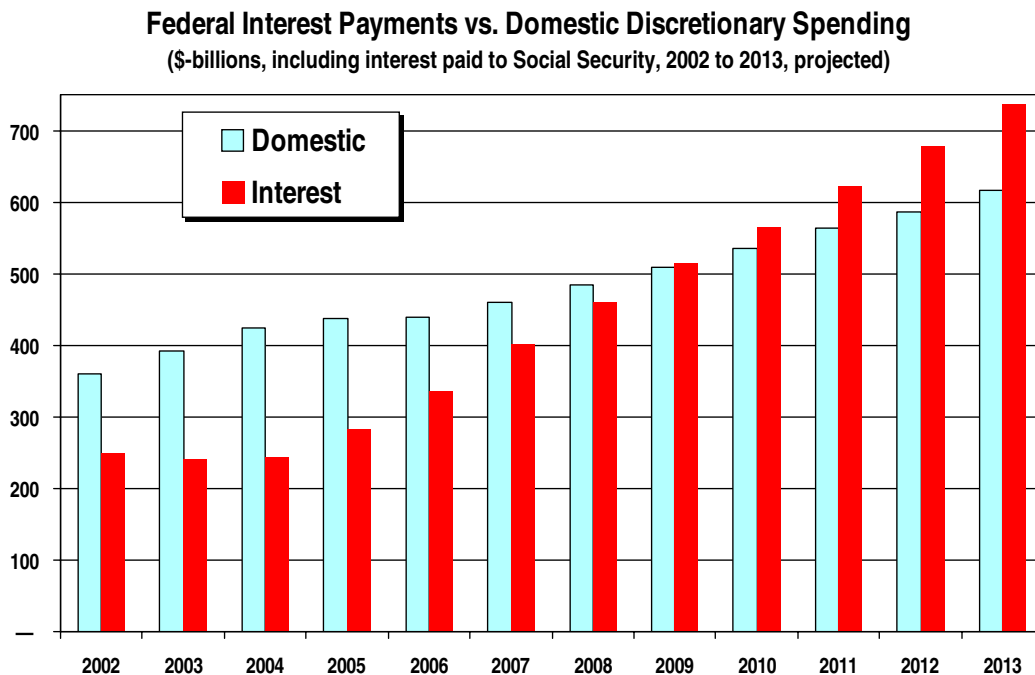
Congressional Budget Office "Alternative" Assessment of Bush Budget Policies

On-budget only fisc yrs, \$bill. except debt	Clinton	Bush 1st Term				Next Four Years				Following Four Years				2002-
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Baseline deficits	+31	-381	-562	-644	-520	-425	-421	-434	-426	-417	-298	-143	-105	-4,776
Adjustments (see p. 4)	—	—	—	-67	-158	-257	-327	-390	-467	-545	-733	-881	-998	-4,822
Adjusted deficits	+31	-381	-562	-711	-678	-682	-748	-824	-893	-962	-1,031	-1,024	-1,103	-9,599
% of outlays borrowed	-2%	23%	31%	37%	33%	31%	32%	33%	33%	34%	34%	33%	33%	33%
Deficit/GDP	-0.3%	3.7%	5.2%	6.3%	5.7%	5.4%	5.7%	5.9%	6.1%	6.3%	6.4%	6.1%	6.2%	5.8%
National debt w/ SS (\$trill)	4.5	4.9	5.5	6.2	6.8	7.5	8.3	9.1	10.0	11.0	12.0	13.0	14.1	+9.6
National debt/GDP	45%	47%	51%	55%	58%	60%	63%	66%	68%	71%	75%	77%	79%	
Interest as % of domestic discret.	69%	62%	58%	65%	77%	87%	95%	101%	106%	111%	116%	120%		
Tax cuts w/o sunsets including interest		-129	-198	-275	-292	-320	-363	-402	-453	-519	-575	-609	-646	
% of deficit		34%	35%	39%	43%	47%	49%	49%	51%	54%	56%	60%	59%	
Deficits by term		-2,333				-3,146				-4,119				
Tax cuts by term		-895				-1,536				-2,349				
% of deficit by term		38%				49%				57%				

■ Under Bush, a third of the federal government outside of Social Security will be paid for with borrowed money—this year and for the foreseeable future. No president has ever made such a mess of the budget over such a sustained period of time.



■ The Federal Reserve’s aggressively low interest rates have kept federal interest outlays in check for now, but after fiscal 2005 interest payments are expected to rise rapidly. **By 2009 and thereafter, the government is likely to be spending more on interest on the debt than on all domestic discretionary programs**—from education, to the environment, to law enforcement, to science, to transportation, to veterans.

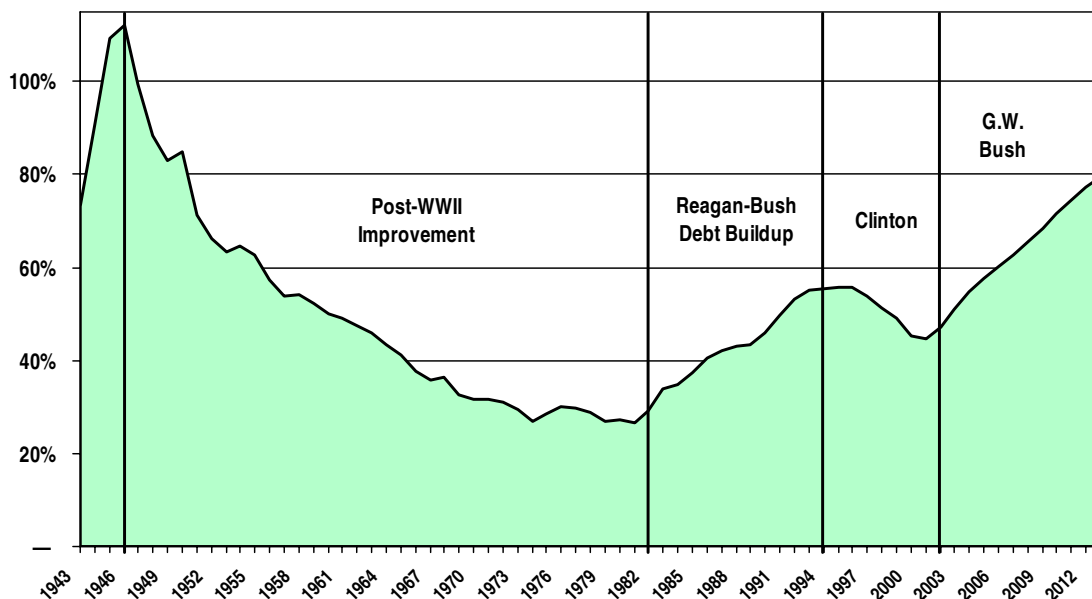


■ Compared to when Bush took office, the national debt, including amounts owed to Social Security, is expected to more than triple by fiscal 2013, to \$14 trillion. Bush's campaign promise that he would continue President Clinton's policy of paying down the debt turns out to have been a \$10 trillion fib.

■ In the upcoming fiscal year and thereafter, the annual deficit in the regular budget will approach or exceed six percent of the economy. That's a level seen only once since World War II, in fiscal 1983 under President Reagan. So much for the Bush administration's frequent claim that its deficits are "moderate by any historical measure" as a share of the economy. (In the last few years of the Clinton administration, there were no deficits outside of Social Security, but instead surpluses.)

■ As a share of the economy, the government's debt is expected to rise from 45 percent in 2001 to 79 percent by 2013. Such a debt level in relation to the economy hasn't been seen since the World War II era.

America's National Debt as a Share of the Economy
Including Amounts Owed to Social Security, 1943 – 2013 (projected)



“Although the President constantly blames his fiscal profligacy on necessary increases in defense and security spending, that’s hardly the case,” said Robert S. McIntyre, director of Citizens for Tax Justice. “In the President’s first term, two-fifths of his \$2.3 trillion in deficit spending is directly attributable to his tax cuts, with the lousy economy responsible for most of the rest. Over the next four years, half of the \$3.1 trillion in projected deficit spending reflects Bush’s tax cuts. Thereafter, tax reductions explain three-fifths of the huge deficits we’ll face if Bush’s policies are left in place.”

Details of CBO’s “alternative” projections, which were supplemented here to include the President’s new defense request, are on page 4.

Congressional Budget Office, Aug. 2003 fiscal years, \$-billions except debt figures	Clinton 2001	Bush 1st Term				Next Four Years				Following Four Years			
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Baseline on-budget deficit (-) or surplus (+)	\$ +31	\$ -381	\$ -562	\$ -644	\$ -520	\$ -425	\$ -421	\$ -434	\$ -426	\$ -417	\$ -298	\$ -143	\$ -105
Adjustments to deficits (-):													
Extend expiring tax cuts and reform AMT	—	—	—	+3	-71	-148	-166	-176	-198	-216	-335	-407	-433
Add prescription drug benefit to Medicare per budget resolution	—	—	—	-7	-10	-33	-38	-43	-46	-50	-53	-56	-64
Bush defense request & keep discretionary spending up with GDP growth after 2003	—	—	—	-62	-72	-112	-128	-121	-151	-182	-213	-245	-279
Increased interest payments due to above adjustments	—	—	—	-2	-6	-14	-32	-50	-72	-97	-131	-172	-223
Revised on-budget deficit or surplus	\$ +31	\$ -381	\$ -562	\$ -711	\$ -678	\$ -682	\$ -748	\$ -824	\$ -893	\$ -962	\$ -1,031	\$ -1,024	\$ -1,103
Baseline on-budget outlays	\$ 1,517	\$ 1,655	\$ 1,809	\$ 1,920	\$ 2,007	\$ 2,092	\$ 2,201	\$ 2,323	\$ 2,438	\$ 2,552	\$ 2,682	\$ 2,753	\$ 2,879
Adjustments (from above)	—	—	—	+20	+46	+99	+141	+184	+229	+277	+327	+381	+445
On-budget outlays (after adjustments):	\$ 1,517	\$ 1,655	\$ 1,809	\$ 1,940	\$ 2,053	\$ 2,191	\$ 2,342	\$ 2,507	\$ 2,667	\$ 2,829	\$ 3,009	\$ 3,134	\$ 3,324
Discretionary programs													
Defense	306	349	407	510	538	542	569	599	629	660	694	722	758
International	23	26	28	28	28	30	31	33	34	35	36	38	39
Domestic	321	360	391	423	437	438	460	485	510	535	563	585	615
Mandatory programs	593	673	742	734	768	845	881	930	979	1,033	1,094	1,111	1,175
Interest	275	248	241	244	283	336	401	460	515	566	622	678	736
Baseline national debt at end of year (including amounts owed to Social Security), \$-trillions	\$ 4.5	\$ 4.9	\$ 5.5	\$ 6.1	\$ 6.6	\$ 7.1	\$ 7.5	\$ 7.9	\$ 8.4	\$ 8.8	\$ 9.1	\$ 9.2	\$ 9.3
Adjustments (from above)	—	—	—	+0.1	+0.2	+0.5	+0.8	+1.2	+1.7	+2.2	+2.9	+3.8	+4.8
National debt after adjustments (\$-trillions)	\$ 4.5	\$ 4.9	\$ 5.5	\$ 6.2	\$ 6.8	\$ 7.5	\$ 8.3	\$ 9.1	\$ 10.0	\$ 11.0	\$ 12.0	\$ 13.0	\$ 14.1
Addendum:													
Social Security surplus	\$ +161	\$ +160	\$ +162	\$ +164	\$ +179	\$ +199	\$ +219	\$ +237	\$ +255	\$ +273	\$ +289	\$ +304	\$ +317

Notes: The \$41 billion effect of 2001 Bush tax cuts in fiscal 2001 was assigned to Bush in fiscal 2002.

The details of additional outlays for discretionary programs due to CBO adjustments were allocated by CTJ among defense, domestic and international.

The effects of Bush 2004 defense increase were added to original CBO figures.