

Bush's Alleged "Balanced Budget" Plan for Fiscal 2012

In Brief: Bogus

In his fiscal 2008 budget proposals, President Bush claims to have a plan to balance the federal budget by fiscal 2012. The truth is, he doesn't.

First of all, to "balance" the 2012 budget, the President would spend the entire Social Security surplus, estimated at \$248 billion that year, on other government programs. According to the President's own figures, the regular government budget, outside of Social Security, would still have a *deficit* of \$187 billion in 2012.

But that's only the beginning of the President's budget chicanery. Even to lower the regular budget deficit to \$187 billion (from \$434 billion last year), the President posits the following:

- In 2012, outlays for defense and homeland security as a share of the gross domestic product (GDP) will be 22 percent lower than in fiscal 2006.
- Other appropriations (mostly domestic programs) will be slashed by 29 percent as a share of the GDP.

The President characterizes these huge real cuts in outlays as a budget "freeze," by which he means that he would keep appropriations at their 2006 level *in nominal dollars*. But using nominal dollars as a measuring stick doesn't make sense. Most federal spending on appropriations reflects employee salaries and purchases of services. The costs of these generally must keep up with the growth in overall wages and population to avoid real reductions. So, comparing outlays as a share of GDP is a reasonable way to make year-to-year comparisons meaningful. In contrast, adjusting outlays solely for inflation is quite inadequate. And comparing outlays from one year to another in nominal, unadjusted dollars, as the President suggest, is totally misleading.

The President offers a few, albeit very broad details about where his enormous program cuts will supposedly occur. For example, from fiscal 2006 to 2012:

- Community and regional development outlays are to fall by 85% as a share of the GDP.
- Education and related programs: down 45%.
- Agriculture: down 42%.
- Environmental protection and natural resources: down 30%.
- Transportation: down 21%.

"History makes clear that such implausible budget cuts would be highly unpopular, and extremely unlikely—not to mention ill-advised," noted Robert S. McIntyre, director of Citizens for Tax Justice. "Yet once you discount these phony program cuts and count Bush's egregious diversion of Social Security money, the President's so-called balanced-budget plan is a hoax."

Here's the arithmetic for fiscal year 2012:

- The President claims his program produces a budget surplus of \$61 billion that year.
- From that, subtract the projected Social Security surplus of \$248 billion. That leaves a projected 2012 deficit in the regular budget of \$187 billion (as the President admits).
- Finally, adjust appropriations to keep up with the growth in the economy, as they have historically done. That adds another \$382 billion to the 2012 deficit.
- This revised fiscal 2012 deficit totals \$569 billion. At 3.2% of the GDP, that's about the same as in fiscal 2006.

Table S-7. Budget Summary by Category, \$-billions (from the Bush FY2008 Budget, in nominal dollars)

	2006	2007	2008	2009	2010	2011	2012
Outlays:							
Discretionary:							
Security	\$ 566	\$ 622	\$ 658	\$ 655	\$ 617	\$ 609	\$ 603
Non-security	451	458	456	443	439	436	435
Total, discretionary	\$ 1,017	\$ 1,080	\$ 1,114	\$ 1,099	\$ 1,056	\$ 1,045	\$ 1,039
Mandatory:							
Social Security:							
Current program	\$ 544	\$ 582	\$ 608	\$ 640	\$ 678	\$ 717	\$ 761
Personal accounts	—	—	—	—	—	—	29
Medicare	325	367	386	409	434	475	482
Medicaid and SCHIP	186	198	209	223	239	257	277
Other	357	318	324	340	361	380	374
Total, mandatory	1,412	1,465	1,527	1,613	1,712	1,829	1,923
Net interest	227	239	261	274	281	284	285
Total outlays	\$ 2,655	\$ 2,784	\$ 2,902	\$ 2,985	\$ 3,049	\$ 3,157	\$ 3,246
Receipts	\$ 2,407	\$ 2,540	\$ 2,662	\$ 2,798	\$ 2,955	\$ 3,104	\$ 3,307
Deficit(-)/surplus(+)	-248	-244	-239	-187	-94	-54	+61
On-budget deficit	-434	-427	-451	-413	-339	-318	-187
Social Security (off-budget) surplus	+186	+183	+212	+226	+245	+264	+248

Projected Federal Outlays & Receipts According to the Bush Fiscal 2008 Budget
Fiscal 2006 through Fiscal 2012, as Shares of the Gross Domestic Product

	2006	2007	2008	2009	2010	2011	2012	06-12 ch
Outlays:								
Discretionary:								
Security	4.3%	4.5%	4.5%	4.3%	3.8%	3.6%	3.4%	-22%
Non-security	3.5%	3.3%	3.1%	2.9%	2.7%	2.6%	2.4%	-29%
Total, discretionary	7.8%	7.8%	7.7%	7.2%	6.6%	6.2%	5.8%	-25%
Mandatory:								
Social Security:								
Current program	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.3%	+3%
Personal accounts	—	—	—	—	—	—	0.2%	nm
Medicare	2.5%	2.7%	2.7%	2.7%	2.7%	2.8%	2.7%	+9%
Medicaid and SCHIP	1.4%	1.4%	1.4%	1.5%	1.5%	1.5%	1.6%	+9%
Other	2.7%	2.3%	2.2%	2.2%	2.2%	2.2%	2.1%	-23%
Total, mandatory	10.8%	10.6%	10.5%	10.5%	10.6%	10.8%	10.8%	+0%
Net interest	1.7%	1.7%	1.8%	1.8%	1.7%	1.7%	1.6%	-8%
Total outlays	20.3%	20.2%	20.0%	19.5%	18.9%	18.6%	18.3%	-10%
Receipts	18.4%	18.5%	18.3%	18.3%	18.3%	18.3%	18.6%	+1%
Deficit(-)/surplus(+)	-1.9%	-1.8%	-1.6%	-1.2%	-0.6%	-0.3%	+0.3%	
On-budget deficit	-3.3%	-3.1%	-3.1%	-2.7%	-2.1%	-1.9%	-1.1%	
Social Security (off-budget) surplus	+1.4%	+1.3%	+1.5%	+1.5%	+1.5%	+1.6%	+1.4%	

Sources: *Budget of the United States Government, Fiscal Year 2008*: Supplemental Tables, Table S-7; and Historical Tables, Table 1.2. Calculations by Citizens for Tax Justice.