

MONDAY, JANUARY 23, 2006, 3 PAGES

CONTACT: Bob McIntyre

Bush Continues to Fund More than a Quarter of Non-Social Security Spending with Borrowed Money

Since President George W. Bush's tax cuts took effect in 2001, more than a quarter of all federal spending outside of the self-funded Social Security system has been paid for by borrowing—with no relief in sight.

From fiscal 2002 through fiscal 2005, deficits in the regular budget totaled a staggering \$2 trillion, meaning that 27 percent of non-Social Security spending was financed with borrowed money. In fiscal 2006 so far, 30 percent of non-Social Security spending has been paid for by another \$0.2 trillion in borrowing.

President Bush's return to huge deficit spending represents a sharp break from his predecessor's policies. During President Bill Clinton's second term, the government actually ran surpluses in the regular budget (as well as in Social Security) and began paying down the national debt. The new level of deficit spending exceeds the level during the Reagan administration (25 percent) and is just short of the record set by in the George Herbert Walker Bush administration, when deficits in the regular budget averaged 28 percent of spending.

Prior to the Reagan administration, the level of deficit-financed spending was much lower.

- President Truman balanced his budgets, on average, from fiscal 1947 through 1953.
- The Eisenhower administration financed only 3 percent of non-Social Security spending with borrowing.
- The Kennedy-Johnson administrations financed only 6 percent of regular spending with debt, and left office with an essentially balanced budget in fiscal 1969.
- Deficit-financed spending rose in the 1970s, to 14 percent under Nixon-Ford and 13 percent during the Carter administration, but that was still less than half the current level.

Shares of Non-Social Security Federal Spending Paid for by Borrowing Fiscal 1947 to 2005

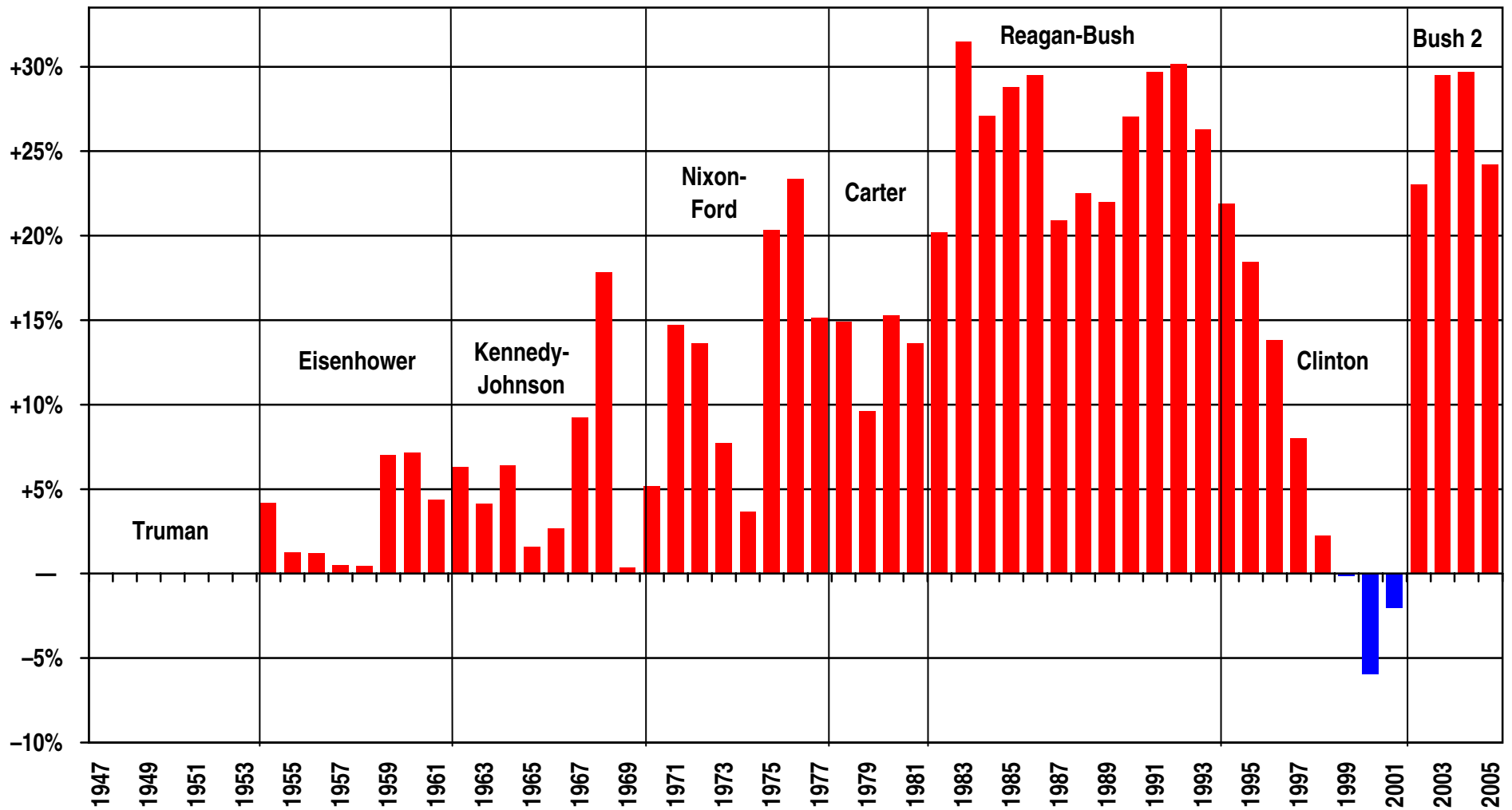
Truman	none
Eisenhower	3%
Kennedy-Johnson	6%
Nixon-Ford	14%
Carter	13%
Reagan	25%
Bush I	28%
Clinton	6%
Bush II:	
FY 2002	23%
FY 2003	29%
FY 2004	30%
FY 2005	24%
FY 2006 so far	30%

Tax cuts enacted since 2001, costing \$244 billion in fiscal 2005, including associated increases in interest payments on the national debt, have been the main cause of the deficit explosion.

Note: in Clinton's first term, 15% of non-Social Security spending was financed by borrowing. In his second term, the government ran on-budget surpluses.

MORE . . .

% of Non-Social Security Spending Paid for by Borrowing



Notes: In the Truman years, the budget was balanced overall, with fluctuations between surpluses and deficits. Occasional Eisenhower surpluses are shown as reducing deficits in adjacent years for clarity. Effects of the 2001 Bush tax cut in fiscal 2001 were attributed to Bush in fiscal 2002 rather than to Clinton.

MORE . . .

**Shares of Non-Social Security Federal
Spending Paid for by Borrowing
(fiscal years)**

1947	none	1977	15%
1948	none	1978	15%
1949	none	1979	10%
1950	none	1980	15%
1951	none	1981	14%
1952	none	1982	20%
1953	none	1983	31%
1954	4%	1984	27%
1955	1%	1985	29%
1956	1%	1986	29%
1957	0%	1987	21%
1958	0%	1988	23%
1959	7%	1989	22%
1960	7%	1990	27%
1961	4%	1991	30%
1962	6%	1992	30%
1963	4%	1993	26%
1964	6%	1994	22%
1965	2%	1995	18%
1966	3%	1996	14%
1967	9%	1997	8%
1968	18%	1998	2%
1969	0%	1999	-0%
1970	5%	2000	-6%
1971	15%	2001	-2%
1972	14%	2002	23%
1973	8%	2003	29%
1974	4%	2004	30%
1975	20%	2005	24%
1976	23%	2006*	30%

Notes: From fiscal 1947 to 1953 (under Harry Truman), the budget was balanced overall. The year-by-year fluctuations between surpluses and deficits are smoothed in the table for clarity. Likewise, occasional surpluses in fiscal 1954-61 (under Dwight Eisenhower) are shown as reducing deficits in adjacent years for clarity. Effects of the 2001 Bush tax cut in fiscal 2001 were attributed to Bush in fiscal 2002 rather than to Clinton. Negative percentages under Clinton reflect on-budget surpluses and debt repayment.

*Fiscal 2006 so far, Oct. – Dec. 2005.