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Bush to Fund a Third of Non-Social Security Spending This Year with Borrowed Money

The latest budget projections from the Congressional Budget Office indicate that one out of every three dollars the federal government spends this year outside of the self-funded Social Security system will be paid for by borrowing. This will be the highest share of deficit-financed spending since World War II.

According to the CBO figures, the on-budget deficit in fiscal 2003 is likely to exceed \$570 billion, meaning that 32 percent of non-Social Security spending will be financed with borrowed money this year.

President Bush's return to huge deficit spending represents a sharp break from the recent past. During President Clinton's second term, the government actually ran on-budget surpluses and began paying down the national debt. The new level of deficit spending exceeds the previous records set during the Reagan and George Herbert Walker Bush administrations, when on-budget deficits averaged 25 percent and 28 percent of on-budget spending, respectively.

The previous one year record for deficit spending, at 31 percent of total non-Social Security outlays, was set under President Reagan in fiscal 1983.

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 on-budget spending with borrowing.
- The Kennedy-Johnson administrations financed only 6 percent of on-budget 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 2003 (projected)

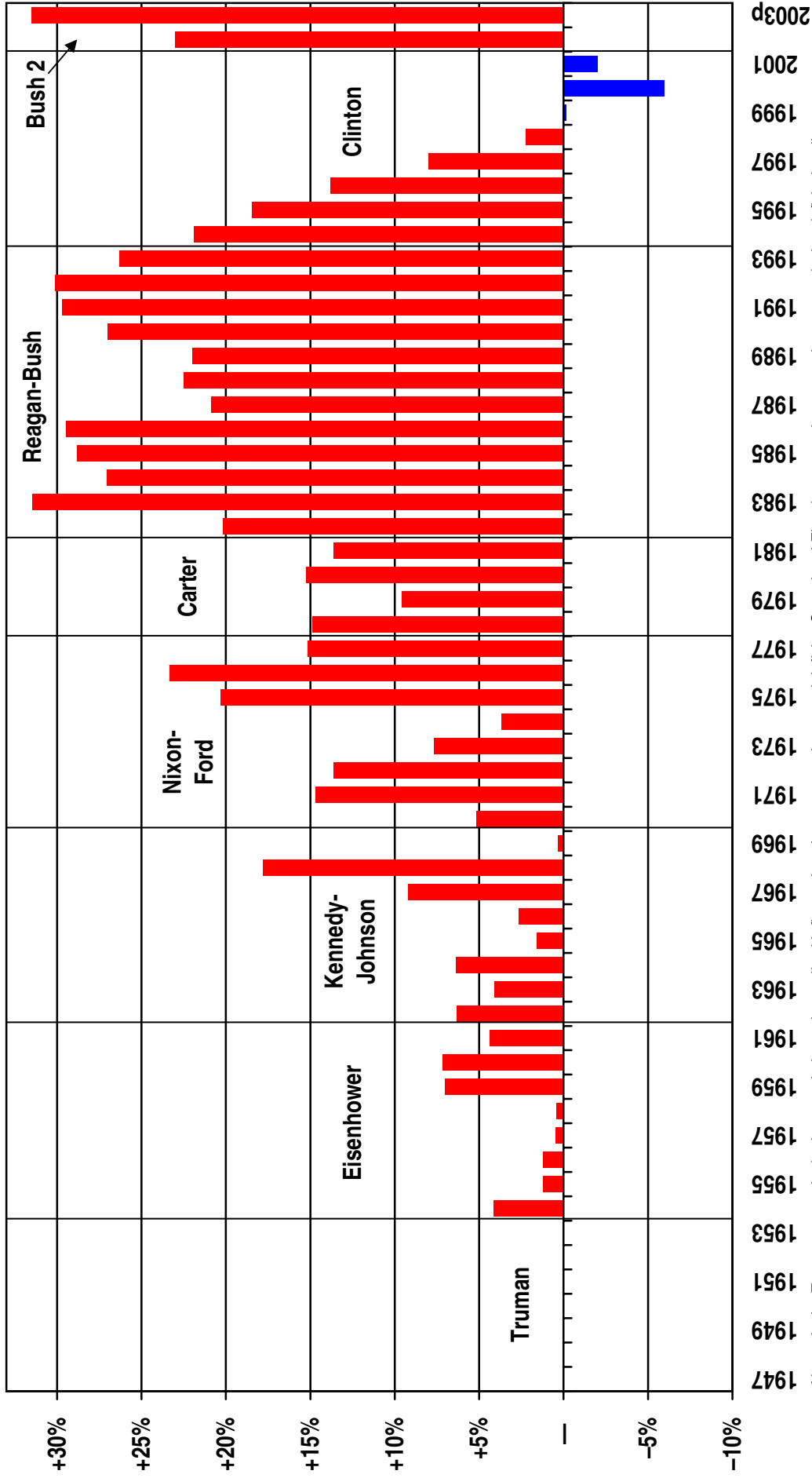
Truman	none
Eisenhower	3%
Kennedy-Johnson	6%
Nixon-Ford	14%
Carter	13%
Reagan	25%
Bush I	28%
Clinton	6%
Bush II, fy 2002	23%
Bush II, fy 2003p	32%

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.

On-budget federal revenues this year are expected to fall to about 11½ percent of GDP, the lowest level since before World War II, and about a quarter below the 15.9 percent level in fiscal 2000. Tax cuts enacted over the past three years, costing \$176 billion this fiscal year plus associated increases in interest payments on the national debt, have played a major role in this unprecedented drop in revenues.

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% 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.

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

1947	none	1976	23%
1948	none	1977	15%
1949	none	1978	15%
1950	none	1979	10%
1951	none	1980	15%
1952	none	1981	14%
1953	none	1982	20%
1954	4%	1983	31%
1955	1%	1984	27%
1956	1%	1985	29%
1957	0%	1986	29%
1958	0%	1987	21%
1959	7%	1988	23%
1960	7%	1989	22%
1961	4%	1990	27%
1962	6%	1991	30%
1963	4%	1992	30%
1964	6%	1993	26%
1965	2%	1994	22%
1966	3%	1995	18%
1967	9%	1996	14%
1968	18%	1997	8%
1969	0%	1998	2%
1970	5%	1999	-0%
1971	15%	2000	-6%
1972	14%	2001	-2%
1973	8%	2002	23%
1974	4%	2003p	32%
1975	20%		

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.