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## **White House Projects Highest Deficit Ever**

By The Associated Press  
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Washington - This year's federal deficit will soar to a record \$445 billion, the White House projected Friday in a report provoking immediate election-season tussling over how well President Bush has handled the economy.

The administration's annual summertime budget update forecast shortfalls falling to \$331 billion next year, then fading to \$229 billion by 2009. For each year, the red ink was smaller than the White House envisioned six months ago.

The analysis was released the same day the Commerce Department said economic growth slowed this spring to an annual rate of 3 percent, well below the 3.8 percent spurt that many economists expected. The slowdown was caused by a spending cutback by consumers in the face of high gasoline costs, the department said.

Administration officials hailed the budget figures as a solid improvement over the deficits analysts forecast early this year, and said they were on their way to their goal of halving this year's shortfall in five years. The White House estimated a \$521 billion budget gap for 2004 in February, while the nonpartisan Congressional Budget Office predicted a \$477 billion deficit.

"This improved budget outlook is the direct result of the strong economic growth the president's tax relief has fueled," said White House budget director Joshua Bolten.

He conceded that the red ink remained at "unwelcome" levels, but said the report was still "good news" because of the reduction from earlier estimates.

Democrats contrasted the \$445 billion projection with the \$262 billion surplus for this year that Bush projected in 2001, when he was persuading Congress to approve the first of his tax cuts.

The shortfall will be the third consecutive - and ever-growing - deficit under Bush, following four consecutive annual surpluses under President Clinton. Democrats said the turnabout underscored the damage done by Bush's tax cuts and his poor stewardship of the economy, and criticized the White House praise for the report.

"What we've got now is a president of the United States who is actively misleading the American people on the financial condition of the country," said Sen. Kent Conrad of North Dakota, top Democrat on the Senate Budget Committee. "Shame on him."

The White House attributed this year's improvement to the collection of \$82 billion more in revenue than anticipated, reflecting stronger economic activity. That was partly offset by \$6 billion more in spending than expected, largely for Medicaid and Medicare.

The projection, if accurate, would mean the government will have to borrow 19 percent of the \$2.32 trillion it expects to spend this year.

Last year's \$375 billion deficit was the largest ever. When adjusted for the loss of purchasing power caused by inflation, only the shortfalls during World War II have exceeded the projected \$445 billion shortfall.

The Concord Coalition and the Committee for a Responsible Federal Budget, bipartisan groups that advocate balanced budgets, said the report showed deficits must be controlled.

"We cannot continue to allow this burden to multiply for our children and our children's children," said Maya MacGuineas, the committee's executive director.

The White House said this year's actual deficit could well be smaller because federal agencies often overestimate expected spending. The government's budget year runs through Sept. 30, so the final figures will be in shortly before the Nov. 2 elections.

Administration officials say a \$445 billion deficit would be manageable because it would be 3.8 percent the size of the

economy - well under the 6 percent ratio during the worst of the red ink under President Reagan.

"I am pleased with the direction we are moving in," said House Budget Committee Chairman Jim Nussle, R-Iowa. Continuing a Republican theme, he and others said the numbers showed spending must be constrained.

Democrats said by only extending five years, the projections ignored the longer-term budget crisis looming as the baby boom generation starts retiring later this decade.

The report included the \$25 billion Congress recently approved for U.S. action in Iraq and Afghanistan. But Democrats noted it ignored the next request for those wars the White House will make early next year, and the costs of easing the alternative minimum tax's effect on middle-income families.

"There's no shock, there's no shame and there's no solution" from the White House, said Rep. John Spratt of South Carolina, lead House Budget Committee Democrat.

The report also boosted the estimate of Medicare spending by \$67 billion over the next five years. It said \$26 billion was to correct costs left out of Bush's budget last February, with the rest reflecting new estimates for the program's spending.

Medicare, the government's health insurance program for the elderly and disabled, spends about \$300 billion a year. It already faces questions about its solvency because of the burden the baby boomers will place on it, and growing medical costs.

The report was released a day after the Democratic National Convention and the same day Congress began hearings on the Sept. 11 commission's final report. The deficit projection was due July 15, a date often ignored by administrations of both parties.

Bolten said the report was not ready earlier, but Democrats said the timing was aimed at hiding it.

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