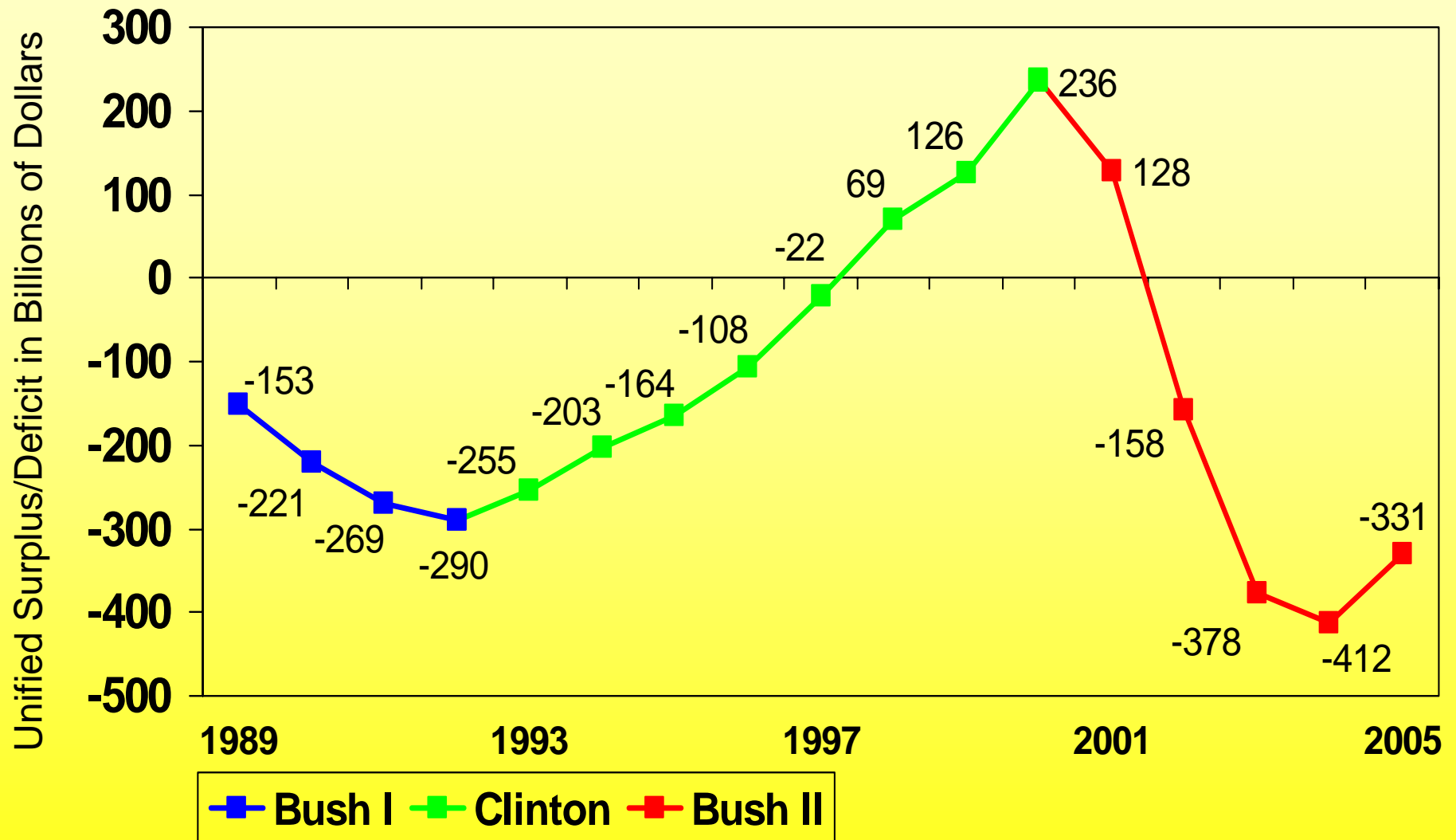


# Backsliding Into the Deficit Ditch

*From Deficit to Surplus to Deficit Again*



# Baseline Deficits Don't Reflect Bush Agenda



*Baseline estimates omit*

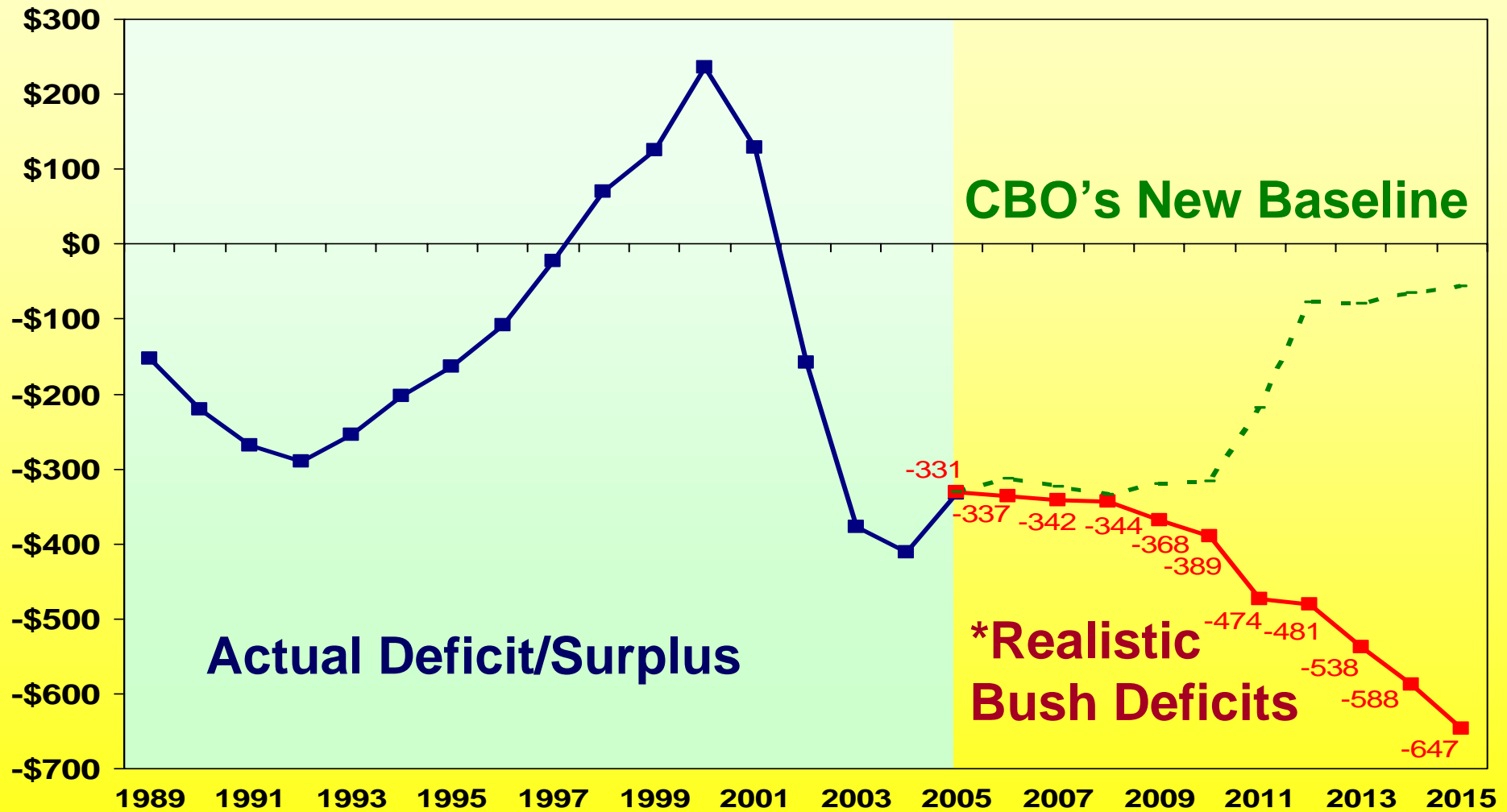
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- Making tax cuts permanent and remaining tax agenda \$1.4 Trillion
- Fixing AMT \$642 Billion
- Long-term defense buildup \$290 Billion
- Privatizing Social Security \$662 Billion

*Plus resulting debt-service costs*

# Realistic Estimate Shows Bleak Deficit Outlook

*Deficits in Billions of Dollars*



\*10-Year Estimate Including Omitted Costs

## CBO Budget and Economic Outlook: August 2005 Update

Billions of Dollars

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u> <u>2006-2015</u>
CBO Baseline Deficits, August 2005	-331	-314	-324	-335	-321	-317	-218	-78	-80	-66	-57	-2,110
Baseline w/o Repeating Supplementals <sup>/1</sup>	-331	-265	-241	-234	-210	-195	-87	62	71	96	116	-888
<b>The President's Budget</b>												
Tax Cuts <sup>/2</sup>		-2	-6	-15	-36	-36	-177	-267	-278	-293	-307	-1417
Outlay Effects of Tax Policies		0	-6	-6	-6	-6	-6	-22	-22	-22	-22	-119
Entitlement Cuts		3	12	13	11	12	12	12	11	9	9	103
2006 War Supplemental <sup>/3</sup>		-37	-10	-2	-1	0	0	0	0	0	0	-50
Defense Increase		-7	-11	-17	-27	-33	-37	-37	-39	-40	-42	-290
Non-Defense Discretionary Cuts		-3	13	25	32	39	43	45	47	49	50	340
Social Security Privatization		0	0	0	-22	-54	-88	-106	-118	-131	-144	-662
Debt Service	0	-1	-2	-3	-4	-8	-17	-34	-56	-80	-107	-311
<b>Total Changes</b>	<b>0</b>	<b>-47</b>	<b>-10</b>	<b>-5</b>	<b>-53</b>	<b>-87</b>	<b>-271</b>	<b>-409</b>	<b>-454</b>	<b>-508</b>	<b>-562</b>	<b>-2406</b>
<b>Resulting Deficits</b>	<b>-331</b>	<b>-312</b>	<b>-251</b>	<b>-239</b>	<b>-263</b>	<b>-283</b>	<b>-358</b>	<b>-347</b>	<b>-383</b>	<b>-412</b>	<b>-446</b>	<b>-3294</b>
<b>The Omitted Agenda</b>												
Further Cost of War <sup>/4</sup>		-13	-56	-58	-44	-30	-25	-26	-27	-27	-28	-333
AMT Repair		-12	-32	-39	-48	-57	-67	-78	-90	-103	-117	-642
Debt Service	0	0	-3	-8	-14	-19	-24	-31	-38	-46	-56	-240
<b>Total Changes</b>	<b>0</b>	<b>-25</b>	<b>-90</b>	<b>-105</b>	<b>-106</b>	<b>-106</b>	<b>-117</b>	<b>-134</b>	<b>-155</b>	<b>-176</b>	<b>-201</b>	<b>-1215</b>
<b>Resulting Deficits</b>	<b>-331</b>	<b>-337</b>	<b>-342</b>	<b>-344</b>	<b>-368</b>	<b>-389</b>	<b>-474</b>	<b>-481</b>	<b>-538</b>	<b>-588</b>	<b>-647</b>	<b>-4509</b>

Debt service costs based on August CBO assumptions

<sup>/1</sup> Includes outlays from 2005 supplementals but assumes no supplemental funding in subsequent years

<sup>/2</sup> Excludes enacted proposals

<sup>/3</sup> \$50 billion in budget authority reflected in Mid-Session Review

<sup>/4</sup> Based on CBO's estimate of ongoing war costs, adjusted for 2006 Supplemental

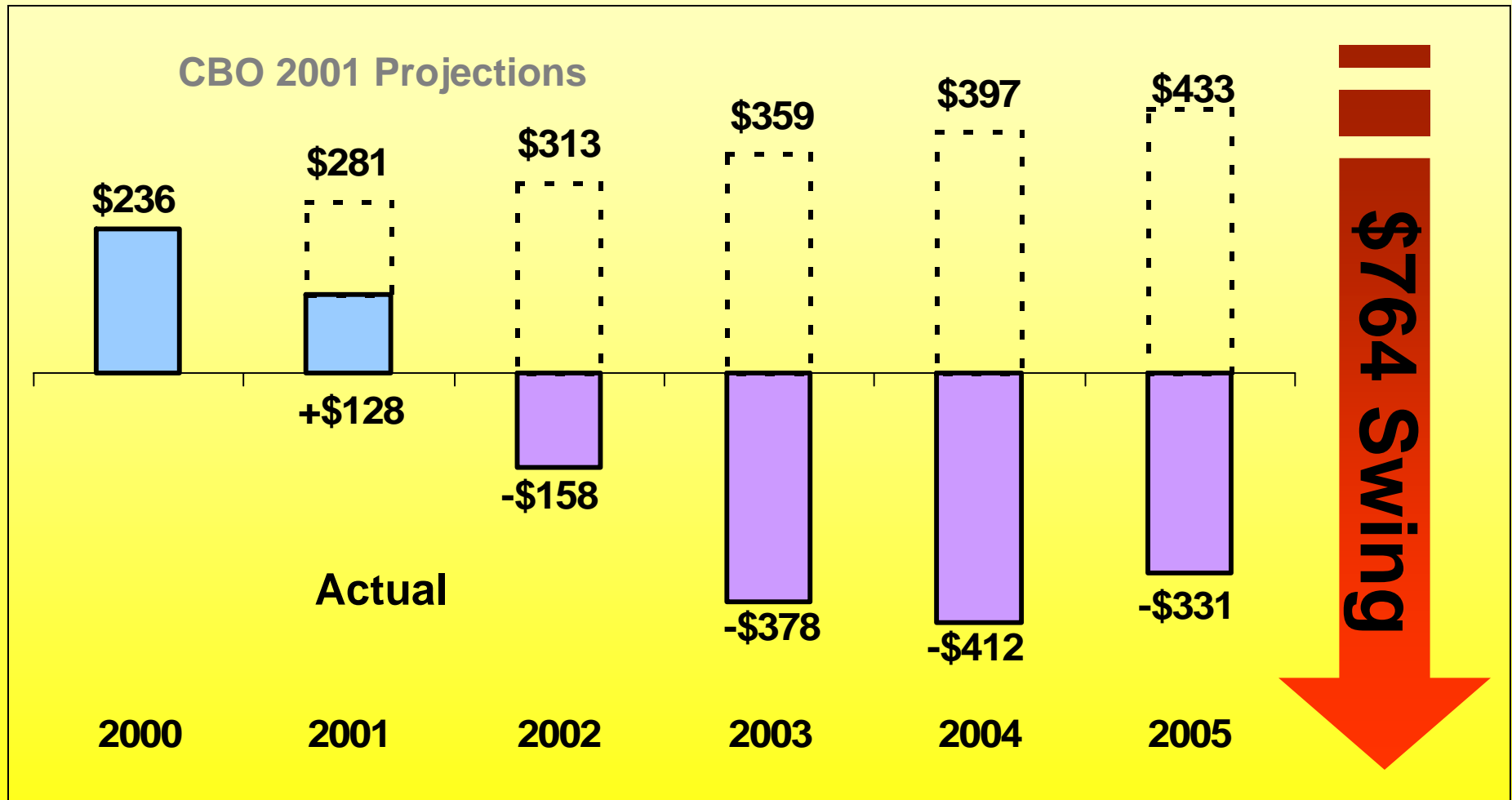
# Surplus Declines **\$9.1 Trillion** Under Republican Leadership

*Unified Budget Surplus, Trillions of Dollars*

	<b>2002-2011</b>
January 2001	\$5.610
January 2002	\$1.601
January 2003	\$0.020
January 2004	<b>-\$2.876</b>
<b>President's FY06 Budget, Including Omitted Costs</b>	<b>-\$3.533</b>

# Republicans' Projected Surpluses Become Huge Deficits

*Actual and Predicted Budget Surpluses and Deficits in Billions*



# Republicans Increase the Debt Limit by **\$2.2 Trillion**

*Debt Limit Increases, Billions of Dollars*

June 2002	<b>\$450</b>
May 2003	<b>\$984</b>
November 2004	<b>\$800</b>
<b>Total Increases</b>	<b>\$2,234</b>

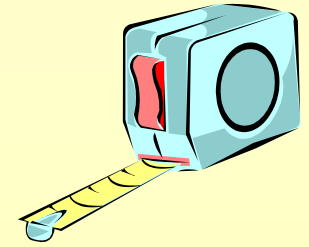
# Public Debt Load on Economy Still Increasing

*Debt as Percentage of GDP*

2001	33.0%
2002	34.1%
2003	36.1%
2004	37.2%
2005	37.7%



# 2005 Deficit: **\$331 Billion**



*The third largest deficit in American history*

- \$764 billion worse than CBO projected in 2001
- \$504 billion without counting Social Security surplus
- 2.7% of the GDP, or 4.1% not counting the Social Security surplus
- Three times greater than all funding for education, veterans' health care, and the Department of Justice
- Equal to all Medicare spending

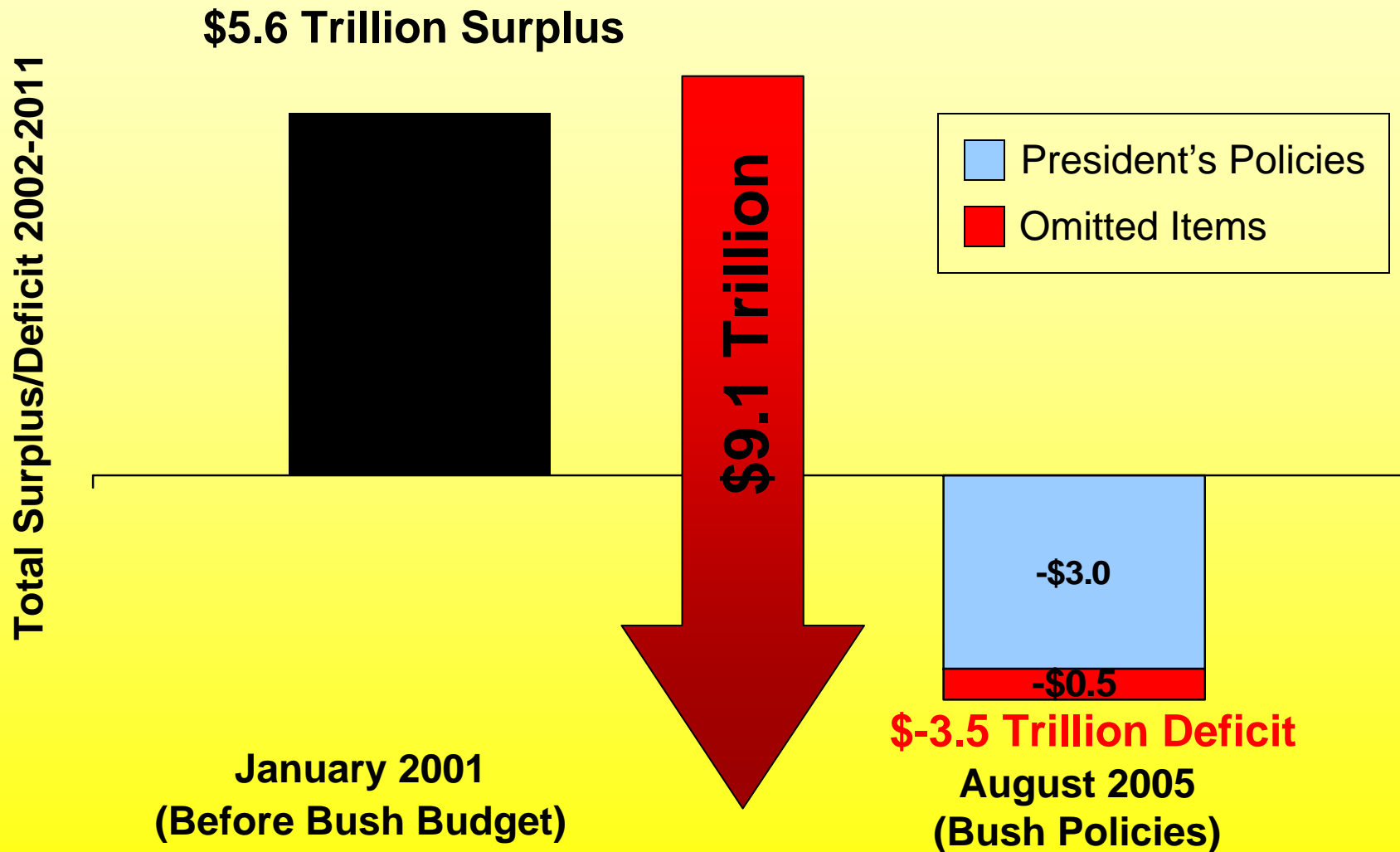
# Unified and On-Budget Surpluses and Deficits: 1981-2005

*Billions of Dollars*

Year	Unified Deficit	On-Budget Deficit
1981	-79	-74
1982	-128	-121
1983	-208	-208
1984	-185	-185
1985	-212	-222
1986	-221	-238
1987	-150	-168
1988	-155	-192
1989	-153	-205
1990	-221	-278
1991	-269	-321
1992	-290	-340
1993	-255	-300

Year	Unified Deficit	On-Budget Deficit
1994	-203	-259
1995	-164	-226
1996	-107	-174
1997	-22	-103
1998	69	-30
1999	126	2
2000	236	86
2001	128	-33
2002	-158	-317
2003	-378	-538
2004	-412	-567
2005	-331	-507

# Surplus Declines \$9.1 Trillion Under Republican Policies

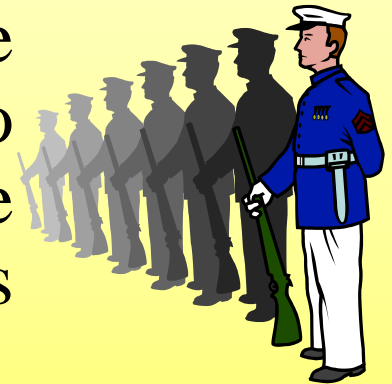


# What Else Could the Government Do With The Interest The Country Pays **Every Day** On The Publicly Held Debt?

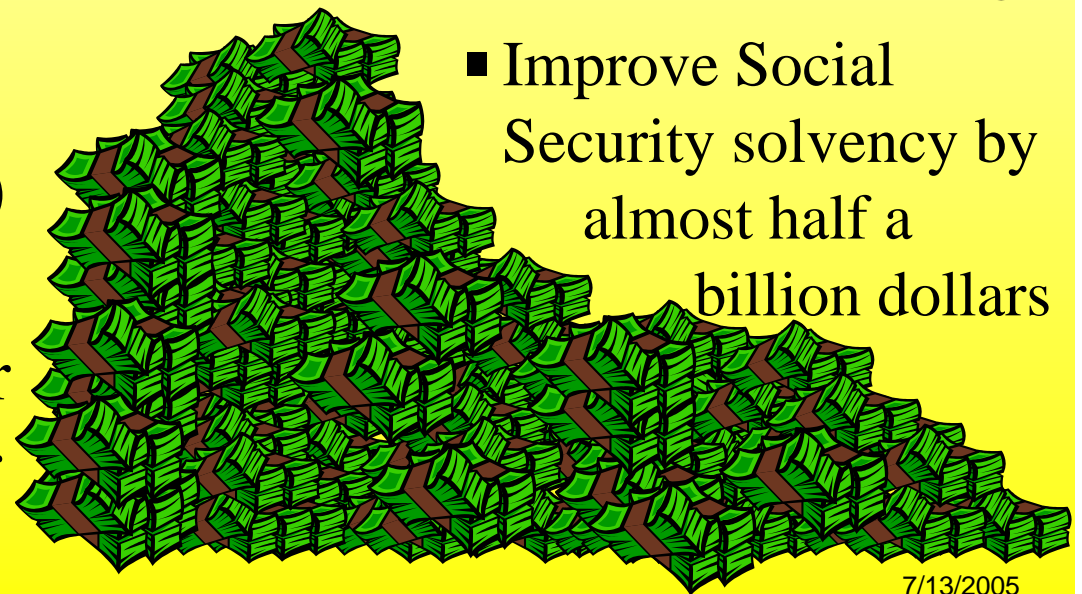
- Invest \$1 million a day in every single congressional district



- Provide health care to 79,925 more veterans



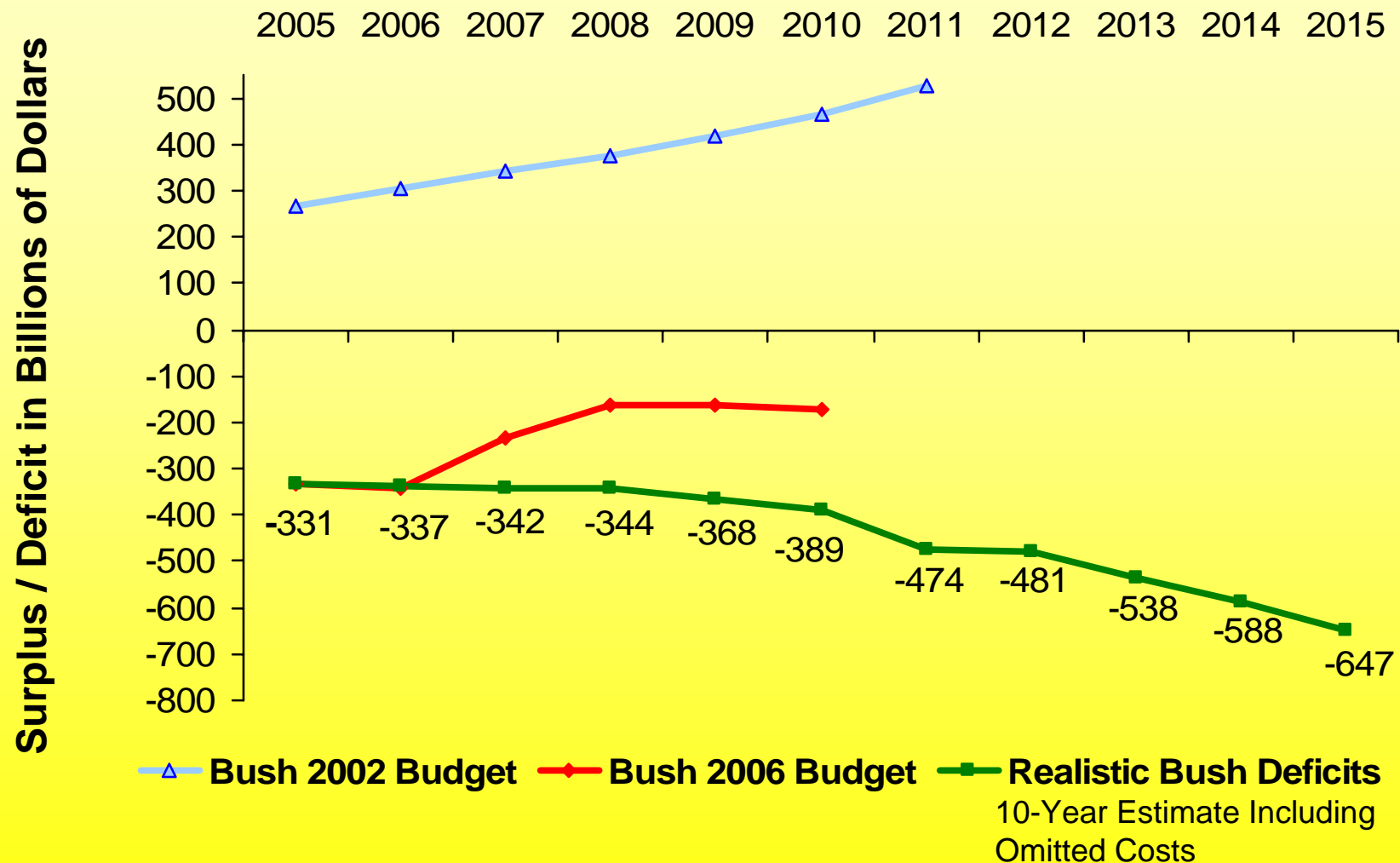
- Improve Social Security solvency by almost half a billion dollars



- Enroll 60,790 children in Head Start for an entire year



# More Accurate Estimate Shows Even Bleaker Budget Outlook



# **Goldman Sachs Believes Revenue Increase Will Not Continue**

**“As we see it, the prospects for additional cyclical reduction are limited...**

**“The 2005 tax bonanza has been concentrated in final settlements of 2004 tax liabilities. This is why it suddenly appeared in April and May... Thus, the lion’s share of this year’s extra tax receipts reflects last year’s strong profits and stock market.**

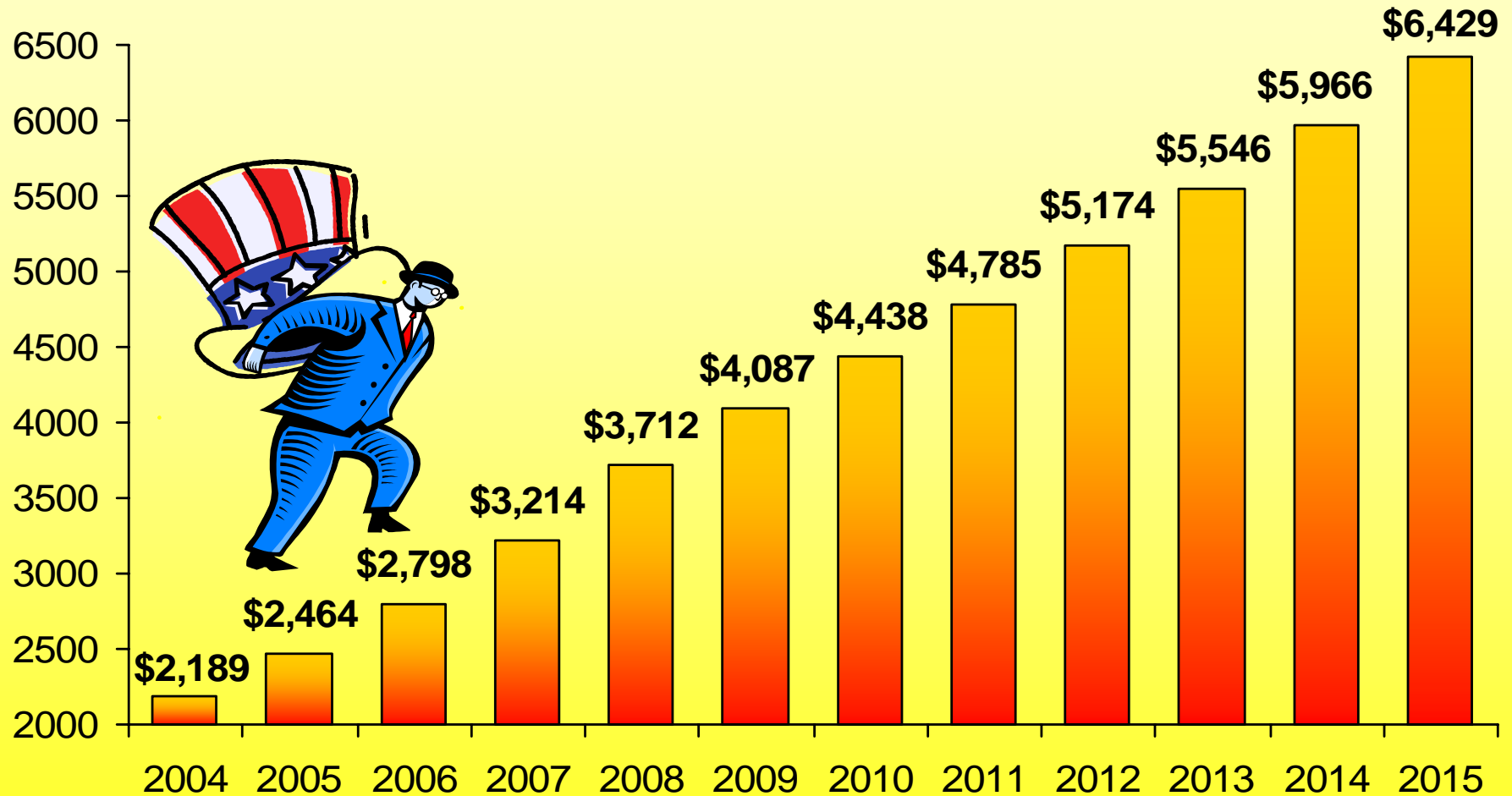
**“Profit taxes account for most of the remainder. Over the first eight months of the fiscal year, corporate tax payments have risen 47%, again due to last year’s surge in corporate profits. To the extent taxes have been paid on this year’s profits, the strength may also reflect expiration of the depreciation bonus...**

**“Conditions are not conducive to another April surprise next year...Unfortunately, the stock market has gone sideways thus far in 2005. Moreover, although economic growth remains sturdy, it has slowed– to about 3.5% from 4.4%. In this environment, gains in corporate profits...are apt to moderate as well.”**

**–Goldman Sachs report  
“U.S. Economics Analyst”  
June 10, 2005**

# Bush Budget Raises the Debt Tax

## Federal Net Interest per Family of Four



Reflects CBO's estimate of the President's Budget after 2010 and the President's omitted costs, including AMT reform and further costs of the war. Also reflects costs of the President's Social Security privatization plan.