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September 9, 2008

CBO Confirms Large Deficits and Weak Economy

Today's new estimates from the non-partisan Congressional Budget Office (CBO) provide the latest evidence of the failed fiscal legacy of the Bush Administration – record deficits and a weak economy.

2008 Deficit Will Be Near Record Levels —

Today's CBO numbers show a 2008 deficit of \$407 billion, the second largest deficit ever recorded by the U.S. government. The Bush Administration has presided over the largest fiscal deterioration in American history. When the Administration took office in 2001, it inherited a projected *surplus* for 2008 of \$651 billion. Instead, we have a deficit of \$407 billion, representing a swing in the wrong direction of more than \$1 trillion for 2008 alone.

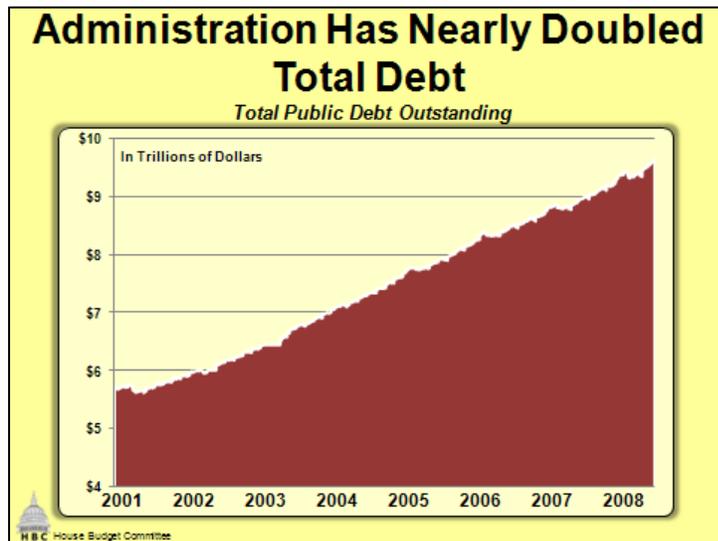
CBO Summer Baseline: 2008

Outlays (spending)	\$2,955 billion
Revenues	\$2,548 billion
Deficit	\$ 407 billion

Economy Continues to Move in the Wrong Direction — Today's report indicates that under this Administration, the economy is continuing to move in the wrong direction, with GDP growth lower than in CBO's March forecast, and significantly less than the average for the last 40 years. CBO's forecast also shows continued weakness in the job market; the economy has already suffered through eight straight months of job losses and, in August, posted the highest unemployment rate in five years. In the last year, the unemployment rate has increased from 4.7 percent to 6.1 percent.

Today's Report Confirms Record Deficits and Growing Debt

2009 on Course to Set Another Record, Giving this Administration the 5 Top Deficits in History — When realistic costs of likely policies such as patching the Alternative Minimum Tax (AMT) are factored in, the 2009 deficit is likely to set another record by a wide margin – as acknowledged by the Administration's own Mid-Session Review of the budget. As required by the Budget Act, CBO's published estimate of a \$438 billion deficit for 2009, a record already, assumes no changes to current law; it therefore understates the likely 2009 budget deficit. Indeed, this CBO "baseline" figure likely overstates revenues and understates expenditures for 2009. Another record deficit for 2009 will mean that all five of the largest deficits in history will have occurred under this Administration's policies.



Government Debt Continues to Climb

— When President Bush took office, the projections were for surpluses of \$5.6 trillion over the next ten-year period and the paying down of nearly all redeemable federal debt. But in the last eight years, this Administration squandered the surpluses and replaced them with record deficits. Today’s estimates confirm that when this Administration leaves office, it will have nearly doubled federal debt, representing an accumulation of debt greater than what has occurred under all the presidents from Washington to Reagan *combined*. This debt is

accumulating at the worst possible time, just as the baby boom generation begins to retire, and leaves a huge bill that our children and grandchildren will be forced to pay.

Rising Debt Service Costs Crowd Out Needed Services — According to CBO projections, the government’s net interest payments will total \$227 billion in 2009 and increase in subsequent years, far higher than the \$171 billion for 2002. These payments are just like interest payments on a family’s credit card – they are obligatory, while providing no services or goods – no education for a child, no new roads, and no additional national security. Interest payments over the next five years dwarf spending on most national priorities including homeland security, education, and veterans’ health care. The only way to reverse the ballooning of these costs is to get our fiscal house in order.

Government Has Failed to Meet Its Responsibilities — Even as deficits have risen to unacceptable levels, the Administration’s misplaced priorities – especially tax cuts primarily for those who need them the least – have resulted in harmful cuts to key government services. For example, people have been subjected to long delays before receiving Social Security and veterans’ disability benefits they have earned, wounded soldiers at Walter Reed have been placed in unacceptable conditions, and the American public has been subjected to contaminated food supplies and inadequately inspected toys – all areas that have been inadequately funded under the Administration’s policies.

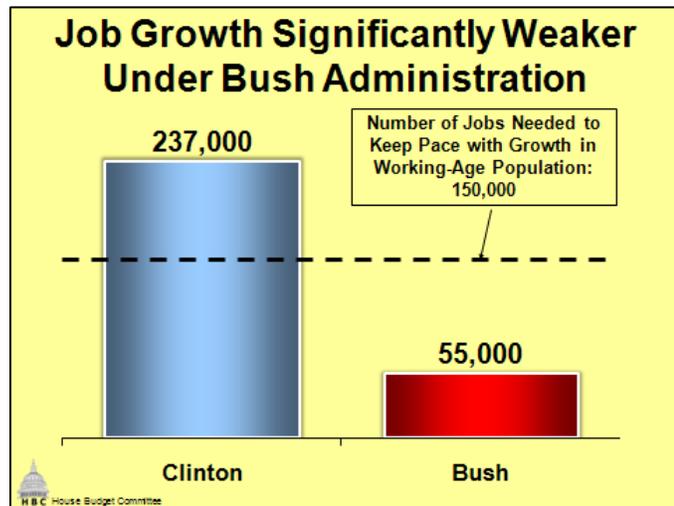
Administration Fails to Pay Cost of Its Policies — The Administration’s refusal to offset the costs of its new tax cuts, new entitlement expansions, and the wars have led to the ballooning of the national debt. This Administration has pushed through tax cuts that cost roughly \$2 trillion, as well as a Medicare prescription drug bill that cost \$400 billion. The wars have already cost nearly \$900 billion. Yet, the Administration has paid for none of these measures. In fact, if the Administration’s tax cuts and the war had been fully offset, we would not be facing such a mountain of debt, which threatens our economy and our ability to meet the needs of our citizens.

Democrats Leading the Way to Restore Fiscal Responsibility — Democrats in the 110th Congress have taken steps to make government more accountable while beginning to put the budget back on track. The House rules package adopted in the first week of the session included a tough pay-as-you-go rule, and House committees have produced fiscally responsible legislation to comply with the rule. Meanwhile, the Congress this year adopted a budget resolution conference report – the first election-year budget resolution completed in eight years – that returns the budget to balance by 2012 while funding America’s priorities.

Today’s Economic Forecast Shows Continued Trouble Ahead

Economic Forecast Shows Continuing Weakness — The past eight years have witnessed weak economic performance. The brief recession of 2001 was followed by the weakest recovery in modern history – with GDP, investment, job growth, and other key indicators growing at rates below average for other economic expansions. The current disruptions in the housing and financial markets and spike in unemployment are the latest bad news. Under the CBO forecast, real GDP growth will be 1.9 percent in 2008 and 0.8 percent in 2009, even lower than its forecast in March and significantly less than the average for the last 40 years.

Thousands of Jobs Have Been Lost This Year — The economy, which created more than 200,000 jobs per month between 1993 and 2000, has averaged only 55,000 new jobs a month since 2001 – less than half the pace needed to keep up with the growth of the working-age population. In fact, the economy has actually *lost* 772,000 private sector jobs since December. CBO’s new forecast shows continued weakness in the job market, with the unemployment rates for 2008 and 2009 climbing since its March forecast.



Hard Work Has Not Yielded Increases in Real Family Income — American workers are more productive than ever, but many are not enjoying the fruits of their labor. Productivity has grown robustly since 2000, yet in 2007 the real (inflation-adjusted) median family income still remained *below* 2000 levels. While real income has declined for most households, our most vulnerable citizens have fared the worst: in 2007, 37.3 million Americans were living below the poverty line – an increase of 6.2 million since 2000.

Economic Indicators Headed in Wrong Direction — Weakness in the economy, particularly in the housing and financial sectors, has helped push consumer confidence to the lowest levels since 1992. Increases in the price of oil, which has almost quintupled since 2002, and food are driving the overall cost-of-living upward. Inflation, only two percent a year ago at this time, has now surged to 5.6 percent.

Democrats Leading the Way to Strengthen the Economy — Burdened by stifling debt loads resulting from Bush Administration policies, the economy continues to struggle. The 110th Congress has aggressively moved to get the economy back on track. To deal with immediate concerns, Congress provided tax relief to 130 million households, extended unemployment benefits, and took measures to strengthen the housing market. Congress has also approved legislation laying the groundwork for future strength in the economy, including encouraging innovation through the COMPETES Act and providing an initial round of energy-related reforms in the Energy Independence and Security Act. However, Congress recognizes that additional work is needed to address America's economic needs, and is continuing to work on legislation to strengthen the economy.