

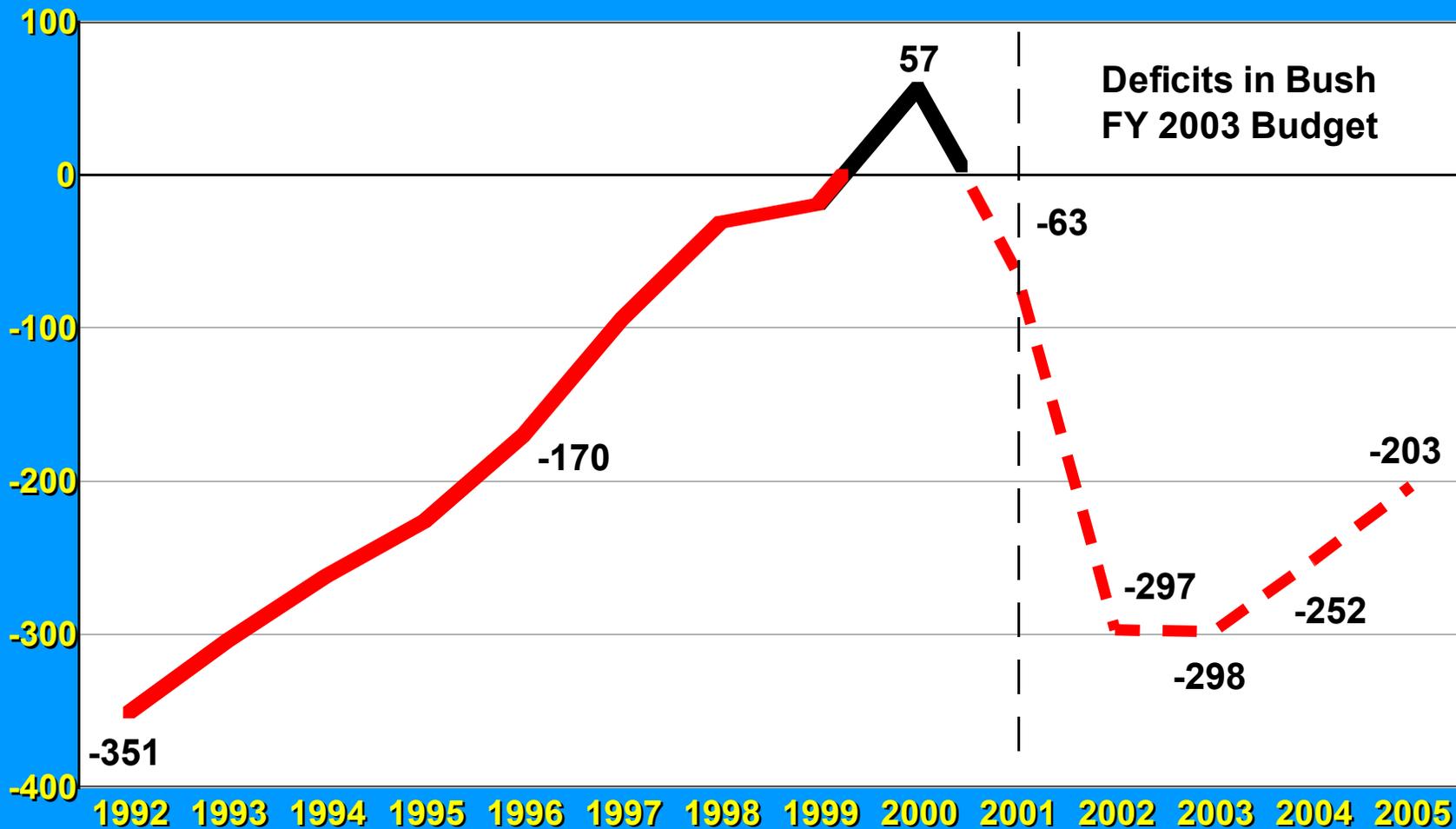
President Bush on Running Deficits

**“... [O]ur budget will run a deficit that will be
small and short-term ...”**

**—President George W. Bush
State of the Union Address
January 29, 2002**

A Return to an Era of Deficits

(Deficits Without Social Security and Medicare, FY 1992-2005)



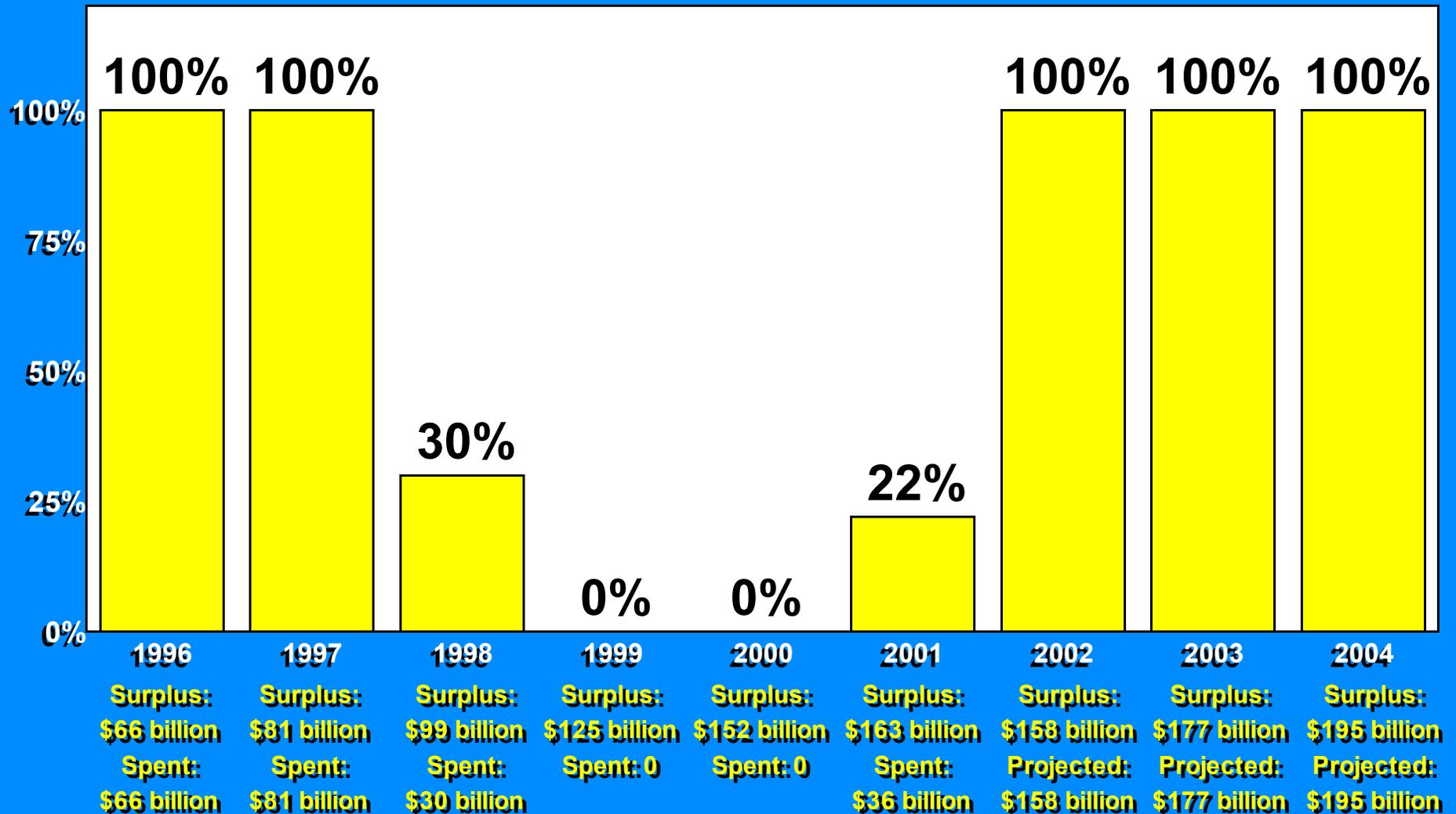
Source: CBO, OMB

President Bush on Protecting Surplus

“To make sure the retirement savings of America’s seniors are not diverted to any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and for Social Security alone.”

**— President George W. Bush
Speech to Joint Session of Congress
February 27, 2001**

Percentage of Social Security Trust Fund Surpluses Used for Other Government Spending (FY 1996-2004)



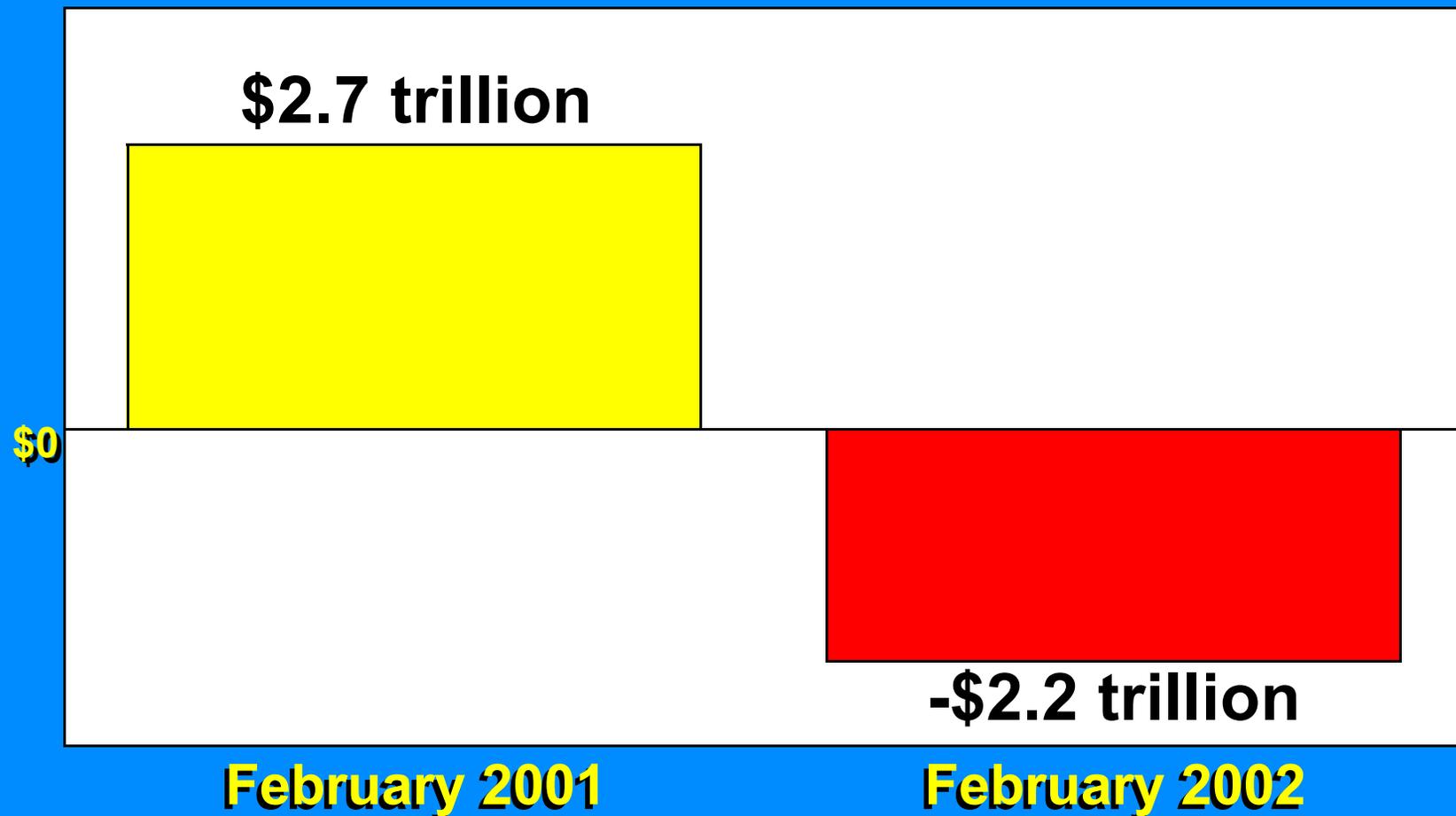
Bush Administration on Having It All

“Having done that, having protected every penny of Social Security for Social Security, having spent every penny of Medicare receipts on Medicare, having set aside \$1 trillion for new needs or contingencies, there is still \$1.6 trillion overcharge that the American taxpayers are entitled to.”

**—OMB Director Mitch Daniels
CNN’s Late Edition with Wolf Blitzer
February 25, 2001**

Surplus Without Social Security and Medicare is Gone

Projections Without Social Security and Medicare Trust Funds, (FY 2002-11)



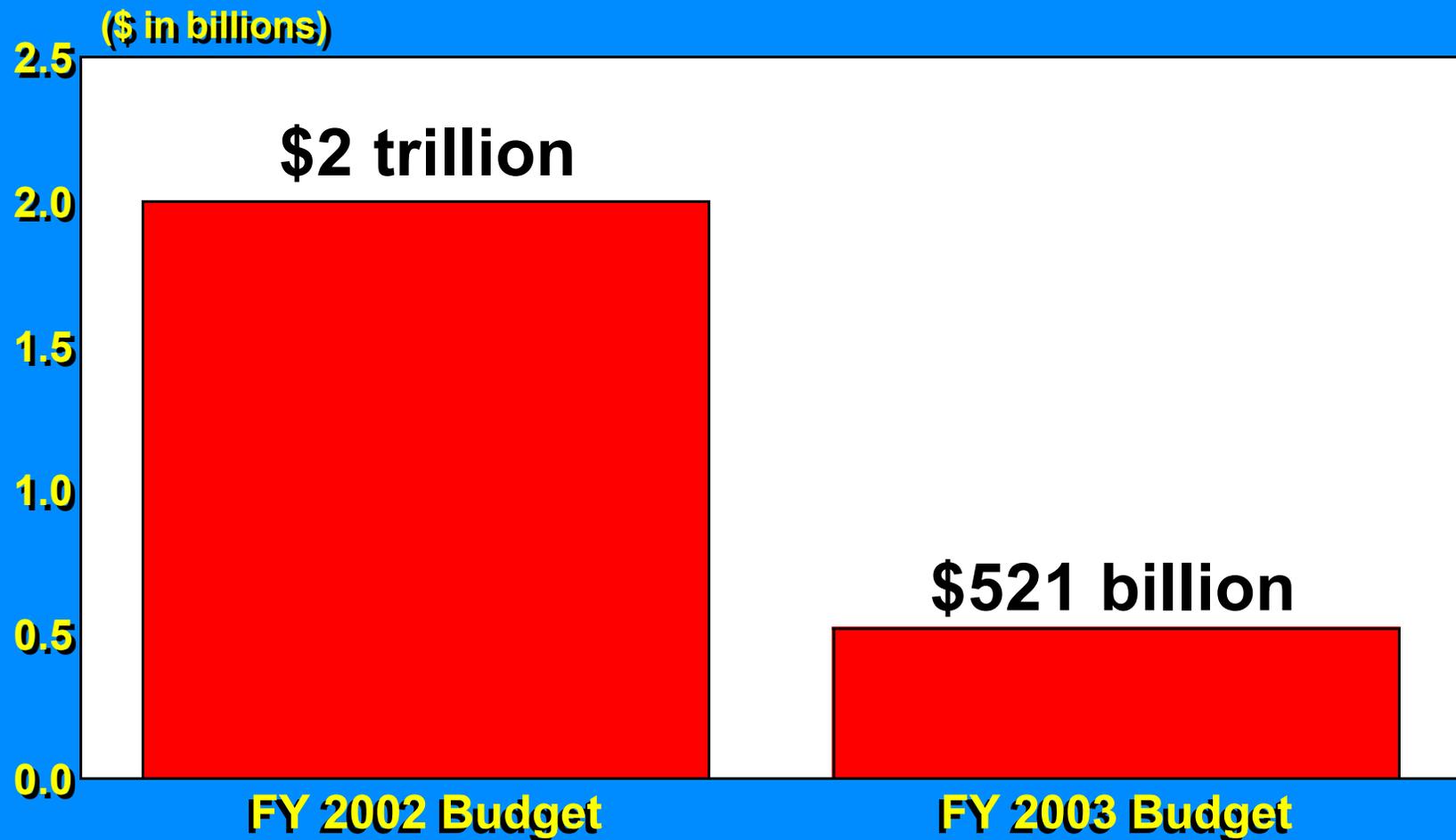
Source: OMB

Republican Claims About Paying Off the Debt

“We owe it to our children and grandchildren to act now, and I hope you will join me to pay down \$2 trillion in debt during the next 10 years. At the end of those 10 years, we will have paid down all the debt that is available to retire.”

—President Bush, Address to Joint Session of Congress, February 27, 2001

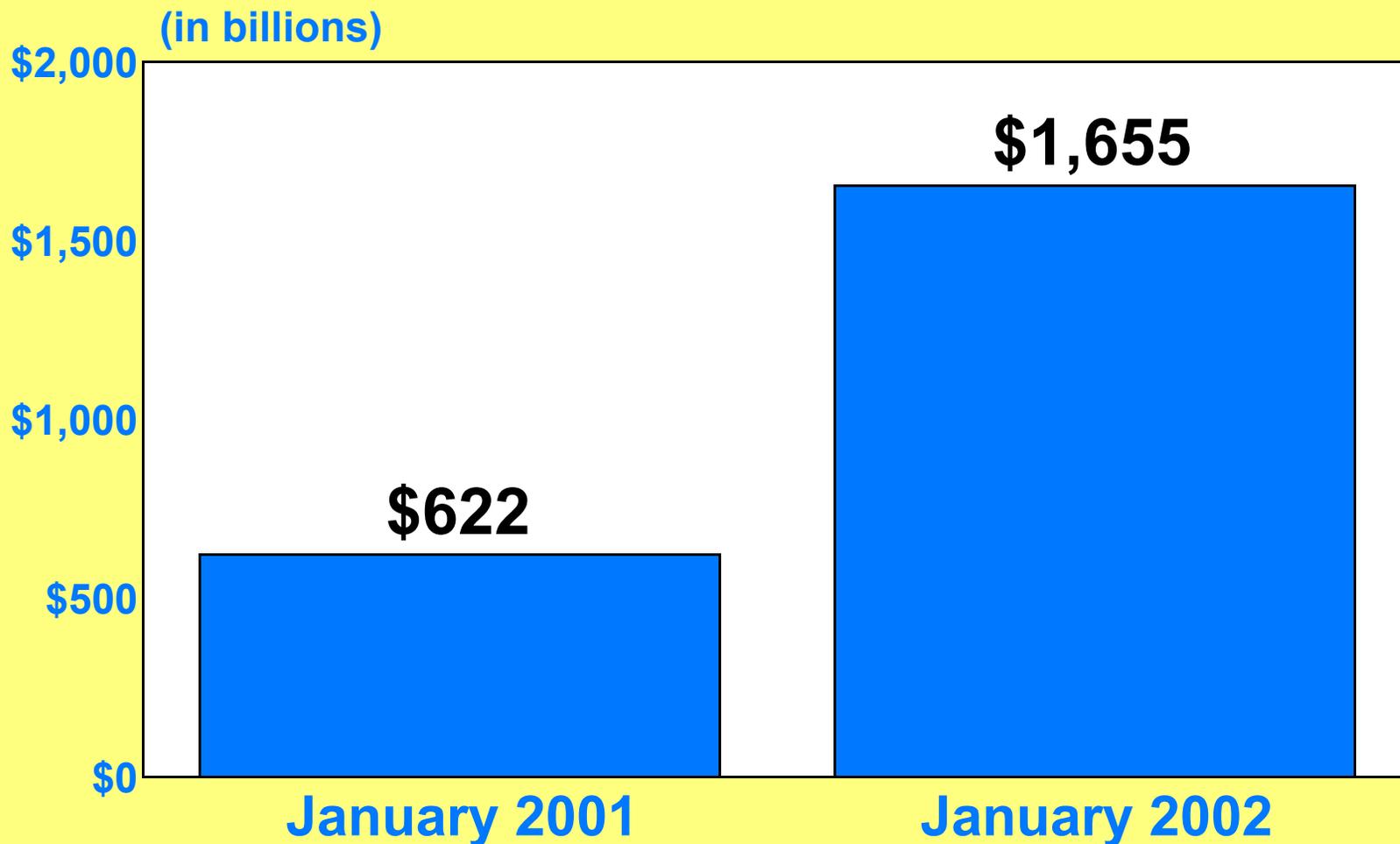
Amounts Available to Pay Down Debt (FY 2002-2011)



Source: OMB

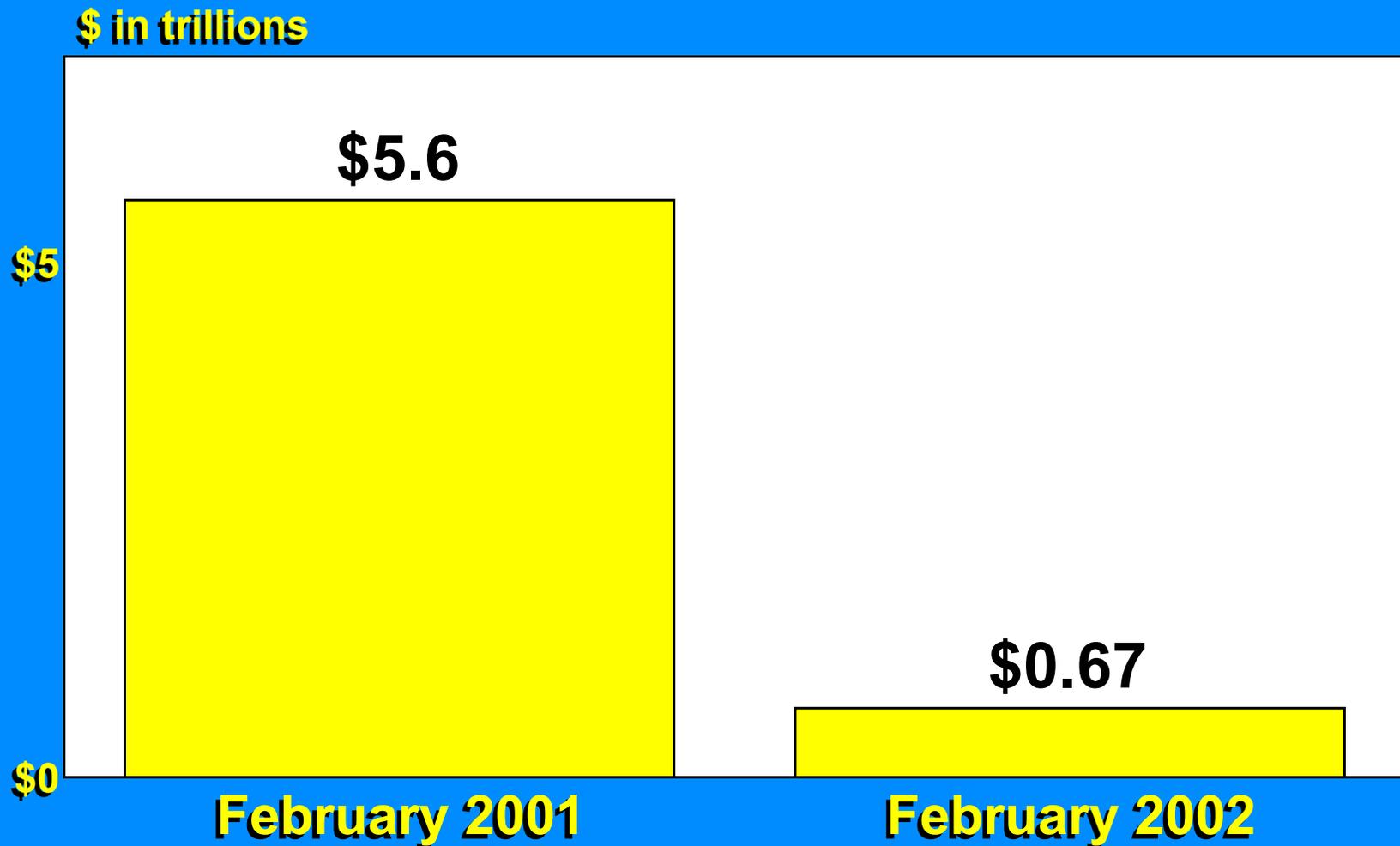
Total Federal Interest Costs Increase by \$1 Trillion

January 2001 versus January 2002 CBO Baseline, FY 2002-2011



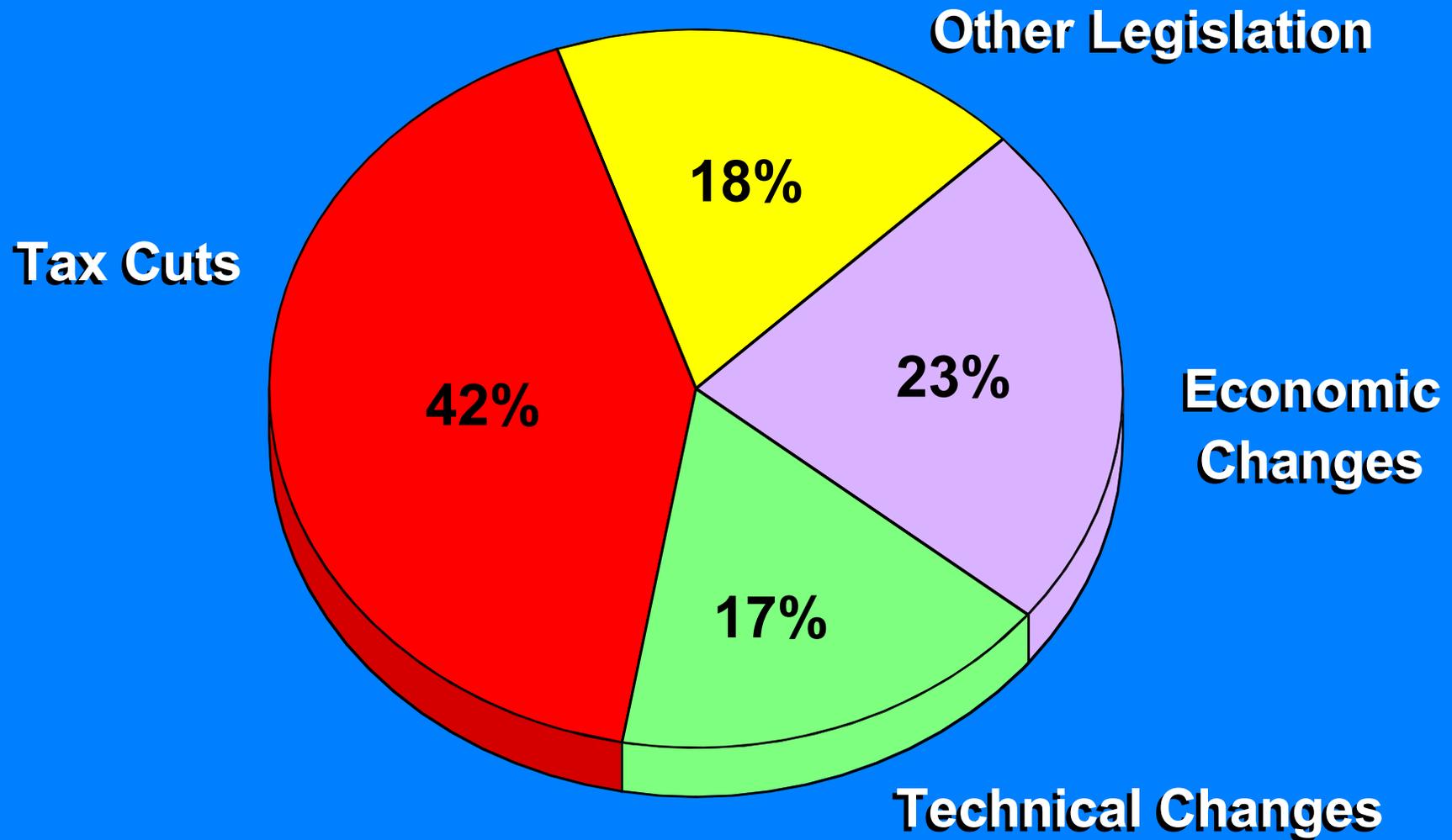
Surplus Declines by \$5 Trillion in One Year

Change in Unified Surplus (FY 2002-2011)



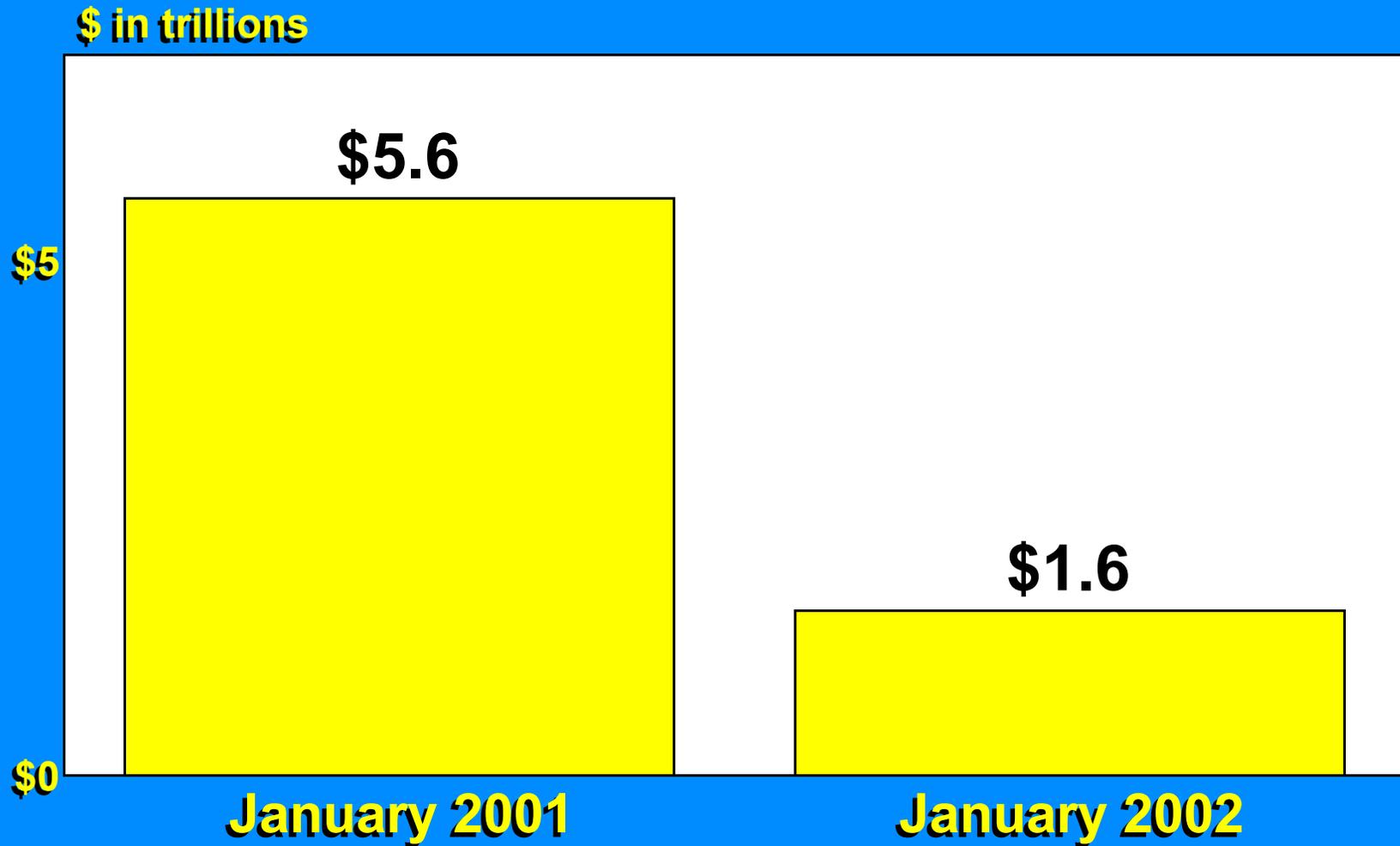
Source: OMB

Changes in the Total Budget Surplus FY 2002-11



Surplus Declines by \$4 Trillion in One Year

Change in Unified Surplus (FY 2002-2011)



Source: Congressional Budget Office

Director Daniel Crippen on Future Needs

“Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We’ll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it. That’s the dilemma that faces us in the long run, Mr. Chairman, and these next 10 years will only be the beginning.”

**– Director Daniel Crippen, Congressional Budget Office
Testimony before the Senate Budget Committee
January 23, 2002**