

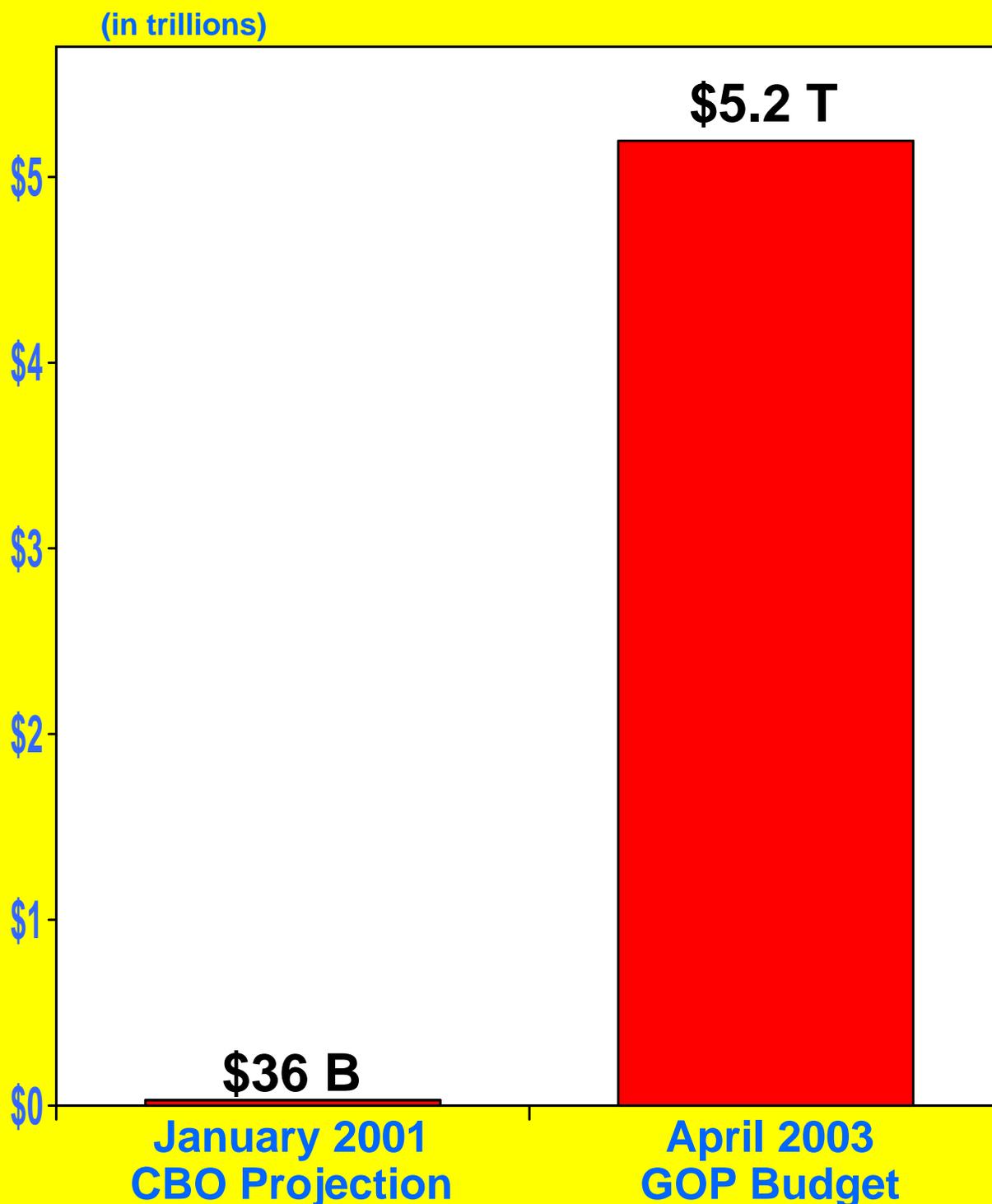
President Bush Promises to Not Pass on Problems

“This country has many challenges. We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents and other generations.”

**–President George W. Bush
State of the Union Address
January 28, 2003**

Debt Held by the Public Soars by 2008

\$5 Trillion More Debt, Assuming GOP Budget Conference Report



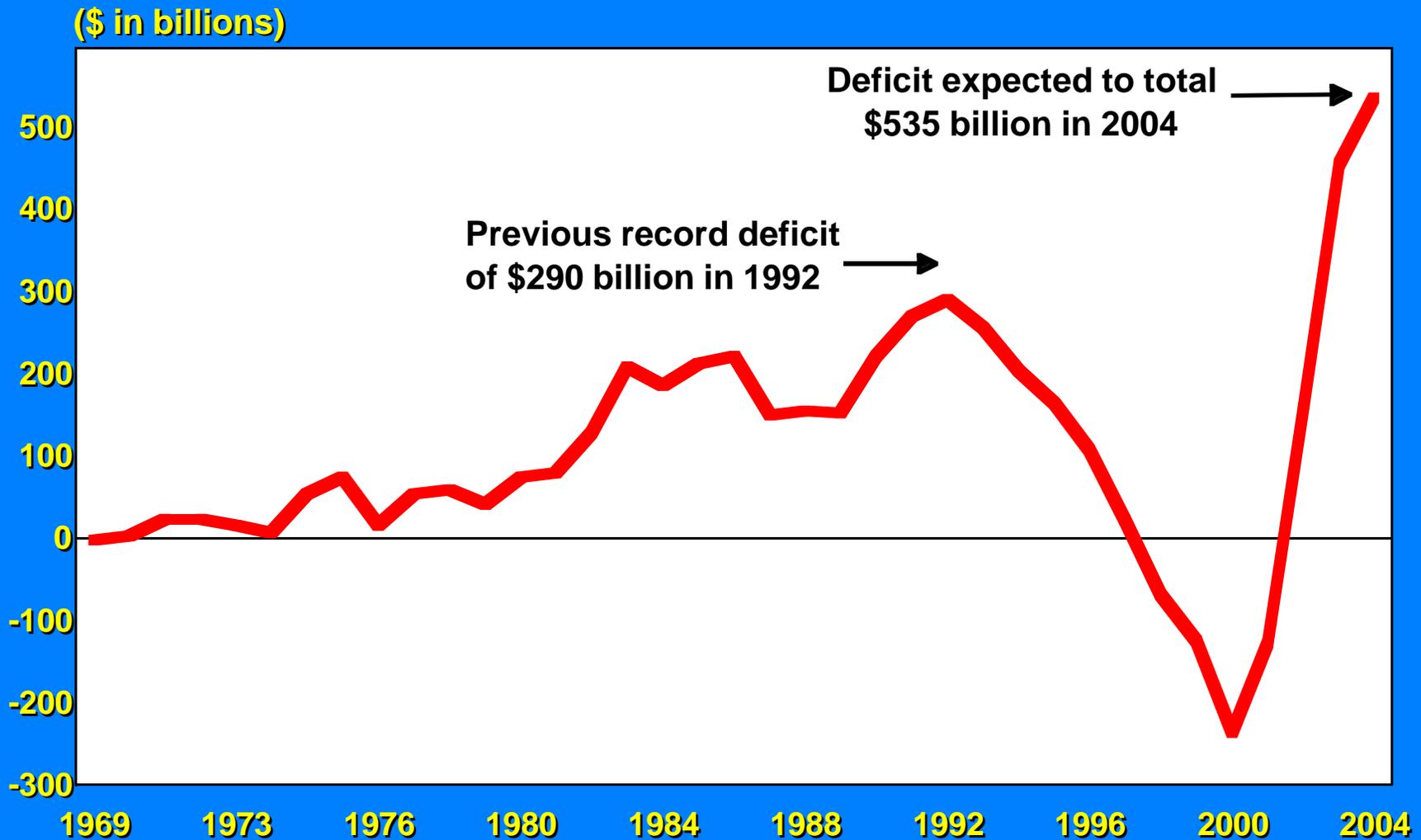
Source: FY 2004 Conference Report

Bush Administration Said No Fear of Budget Deficits

“Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens.”

**–President Bush
Remarks at Western Michigan University
March 27, 2001**

Deficit This Year and Next Will Far Exceed Previous Record in Dollar Terms



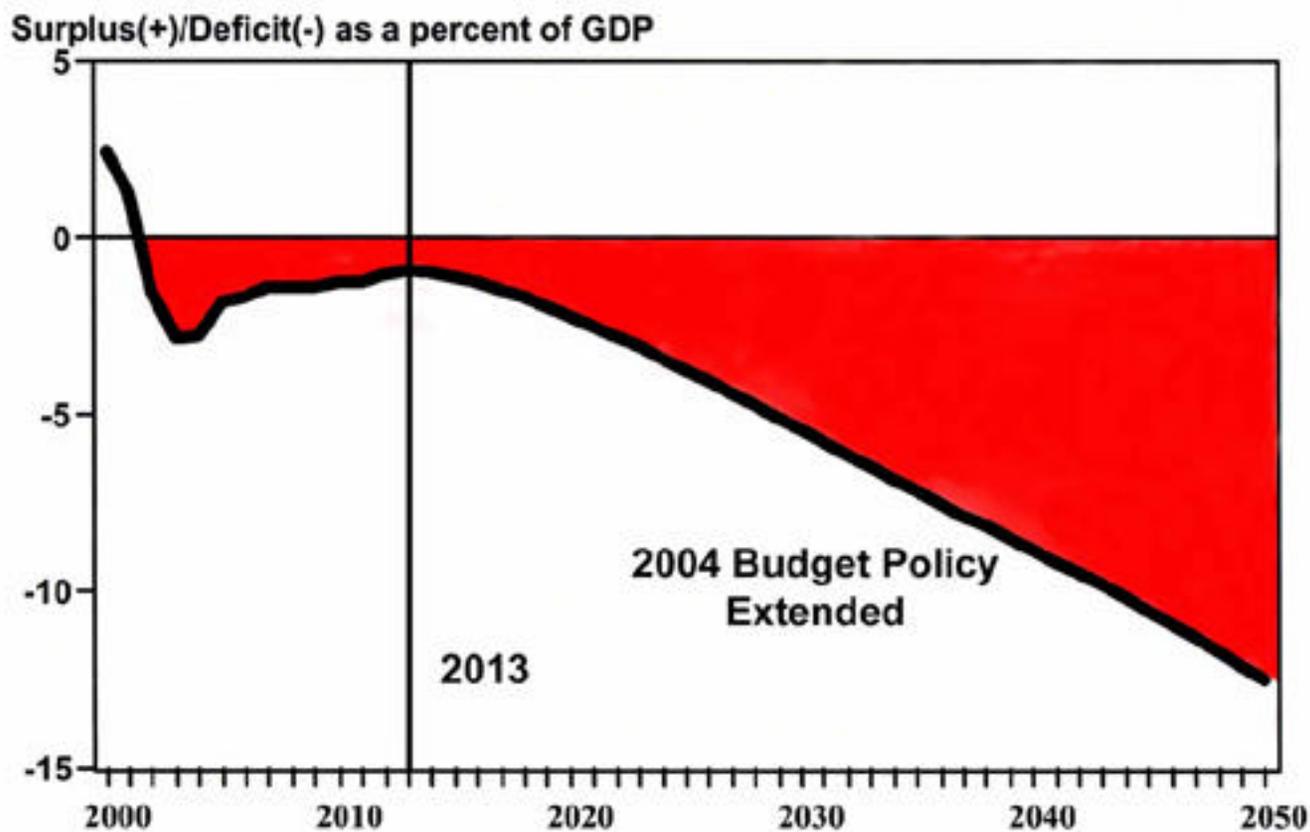
Source: OMB

Bush Administration Promised Deficits Would be Small and Short-Term

**“...[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**

The Next Ten Years: The Budget "Sweet" Spot



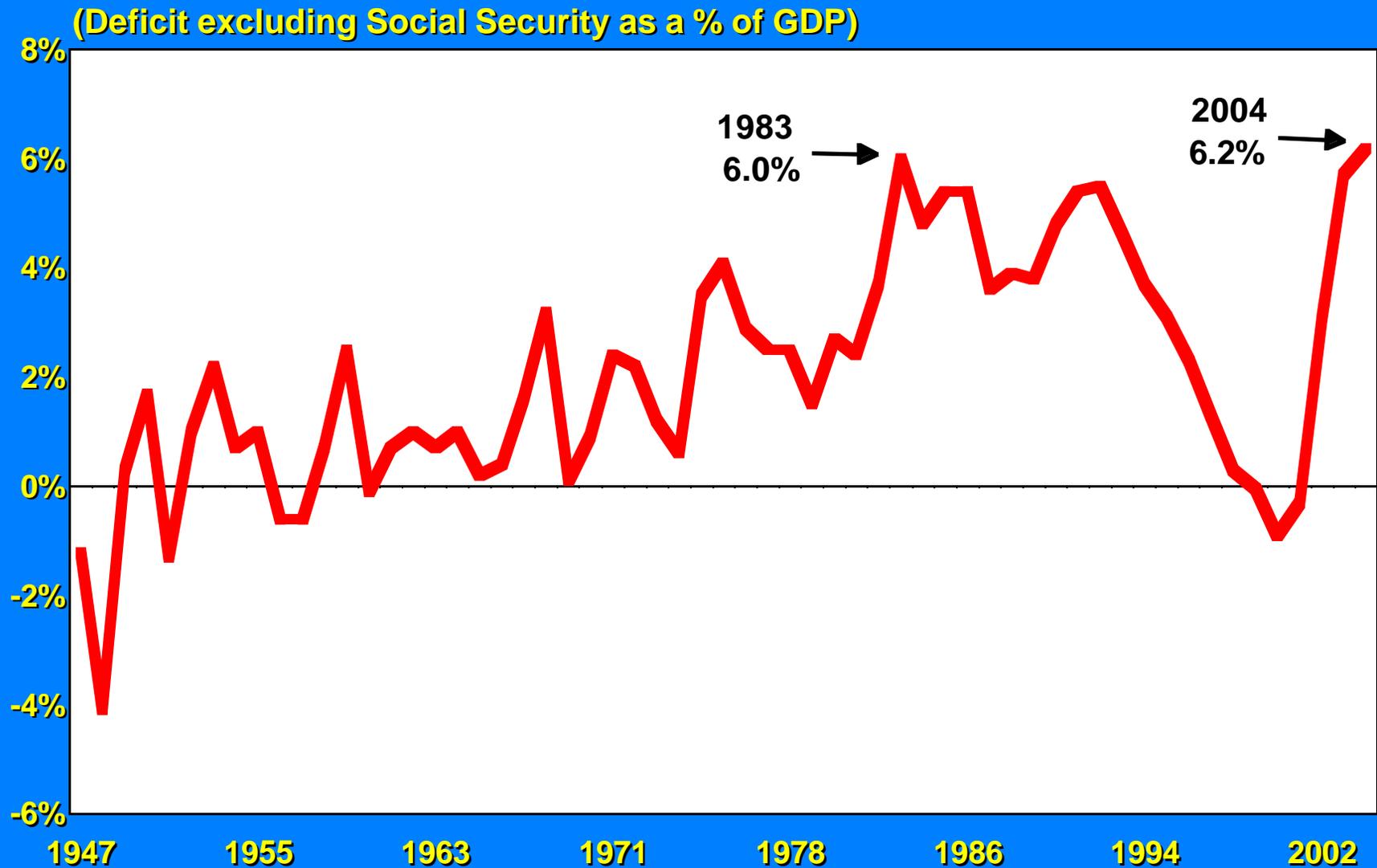
Source: President's Budget for FY 2004, Analytical Perspectives, p. 43.

Bush Administration Tries to Downplay Significance of Deficits

“Compared to the overall federal budget and the \$10.5 trillion national economy our budget gap is small by historical standards.”

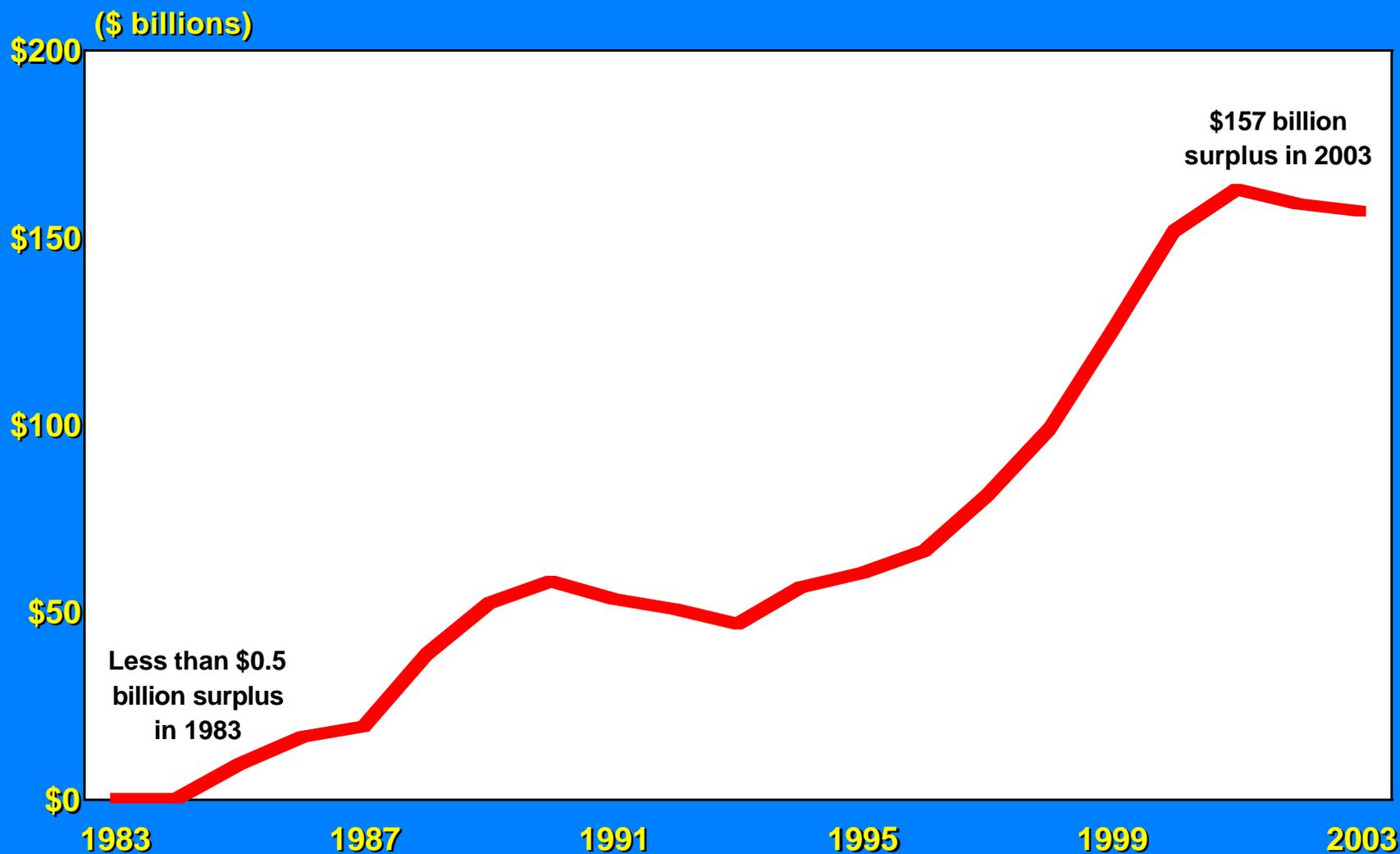
–Budget of the United States, Fiscal Year 2004, page 1

Deficit as a Share of Economy Hits Highest Level Since End of World War II



Source: OMB

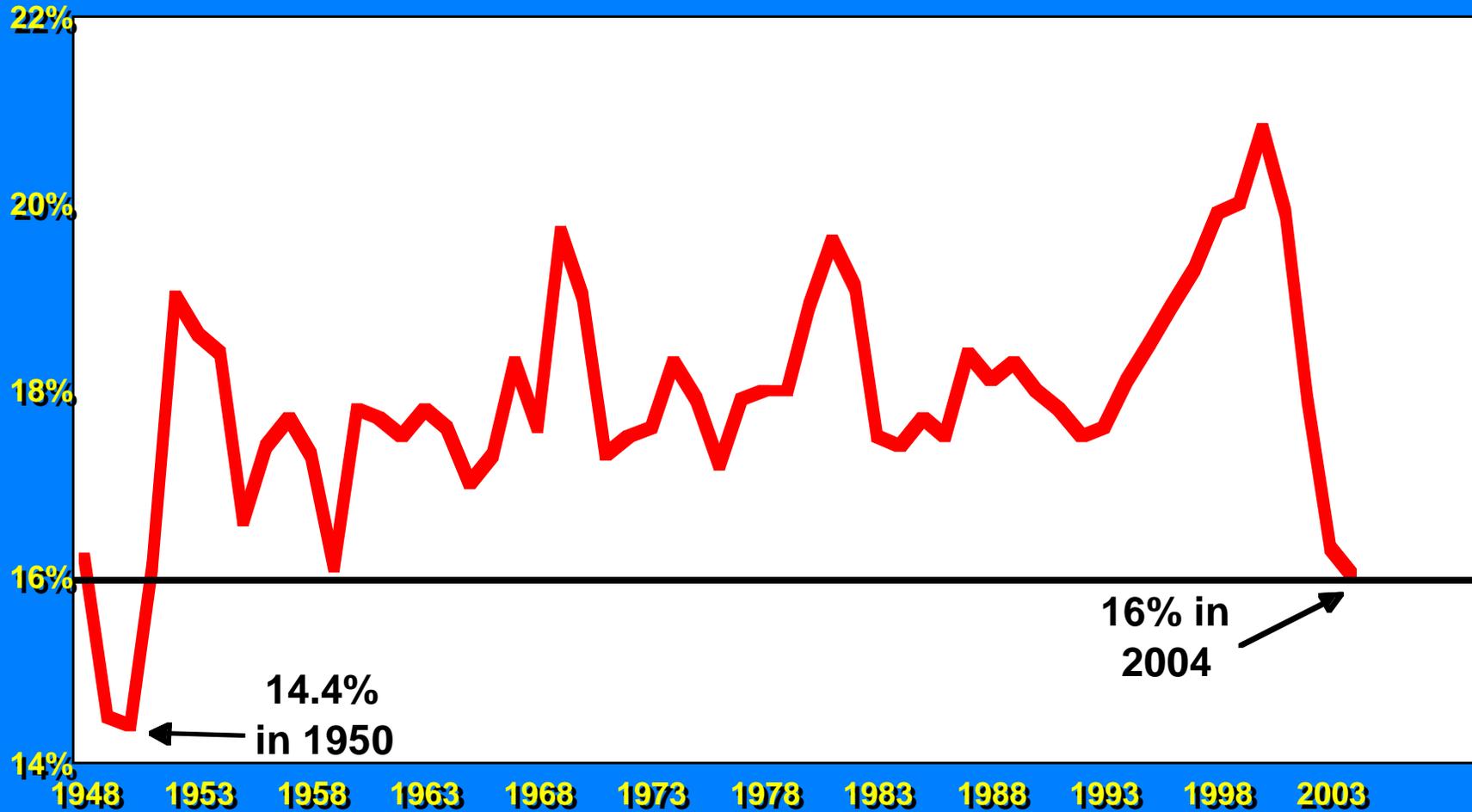
Social Security Surplus



Source: CBO

Revenues as a Percent of GDP

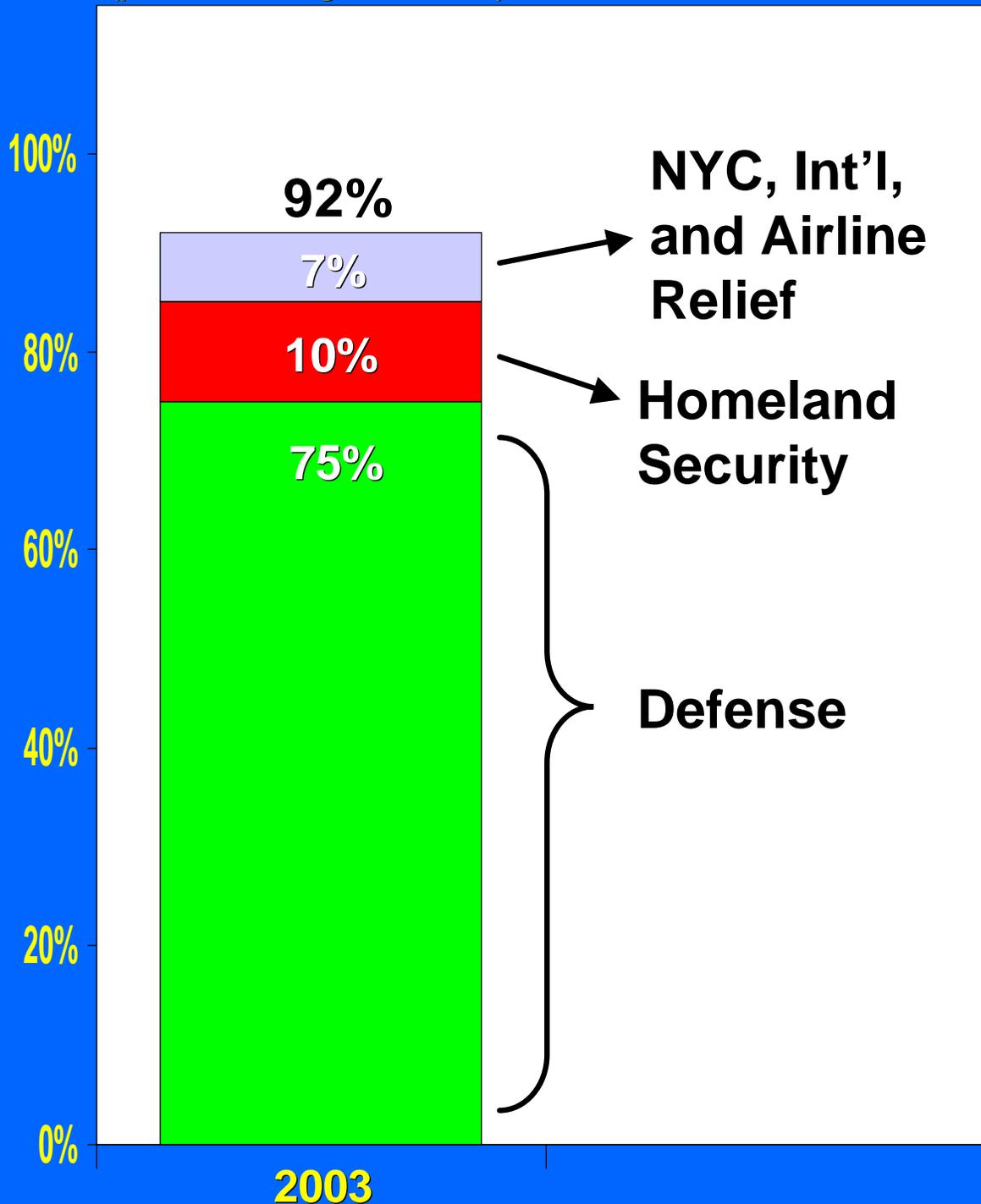
Lowest Level Since 1950



Source: OMB

Defense, Response to Attacks of Sept. 11, and War in Iraq Are Behind Increase in Discretionary Budget Authority in 2003

(percent of change in disc. BA)



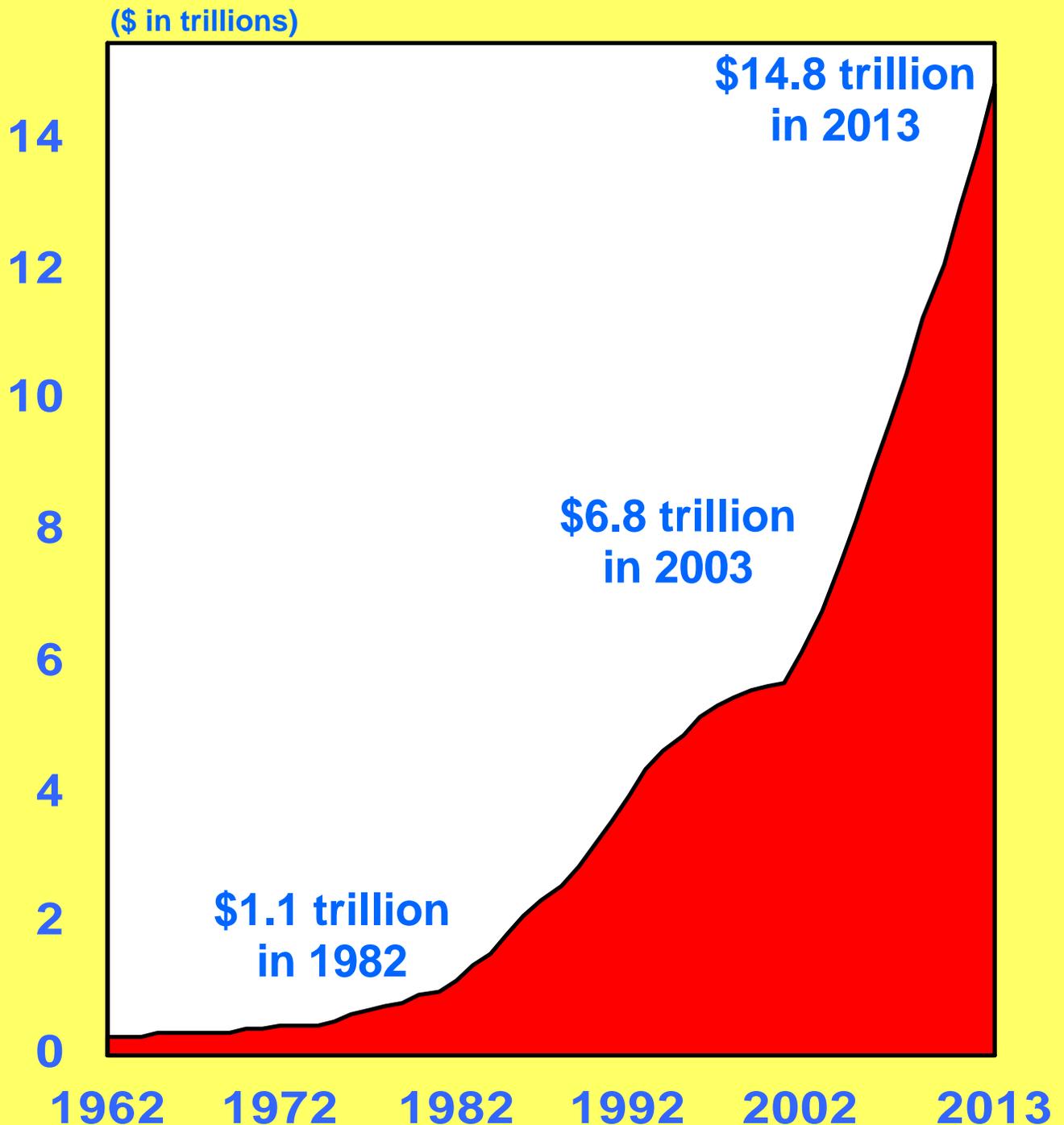
Note: Compares CBO's January 2001 and August 2003 baselines for 2003.
Source: CBO and Senate Budget Committee, Democratic Staff.

President Bush on the “People’s Money”

“I also understand whose money we spend in Washington, D.C. It’s not the government’s money, it’s the people’s money.”

–President George W. Bush
Remarks at Bush-Cheney 2004 Fundraiser
Jacksonville, FL
September 9, 2003

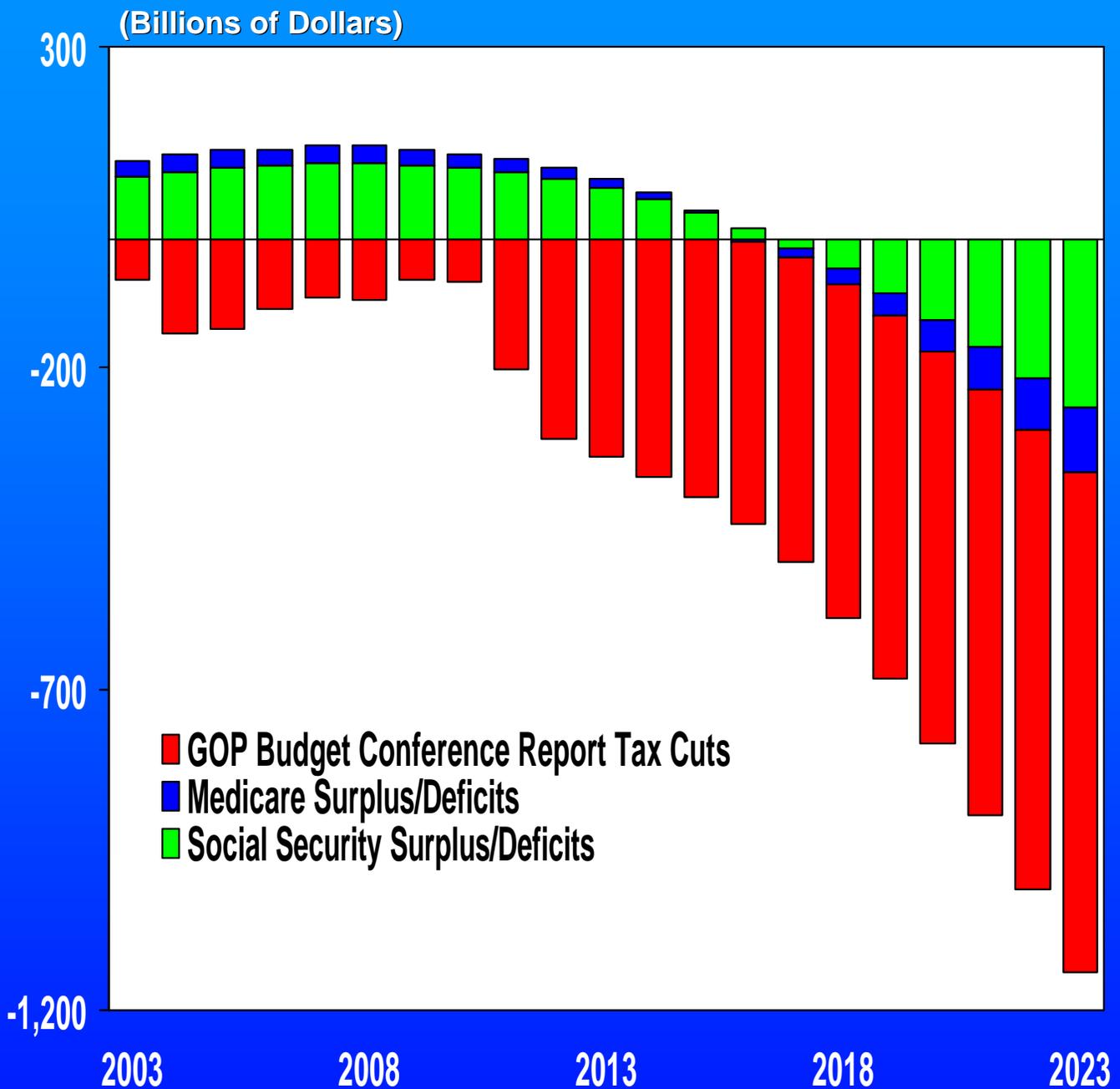
Gross Federal Debt With Additional Budget Policies



Source: CBO, Senate Budget Committee

*Additional policies include CBO estimates of the extension of expiring taxes, AMT reform, and a prescription drug benefit.

Tax Cuts Explode as Trust Fund Cash Surpluses Become Deficits FY 2003-2023



Source: 2002 Trustees Report, CBO, and Senate Budget Committee Staff
Note: Tax cut includes associated interest costs.

CBO Warns of Dangers of Current Fiscal Course

“This course prompted the Congressional Budget Office to issue an unusual warning in its forecast last month: If Congressional Republicans and the administration get their wish and extend all the tax cuts now scheduled to expire, and if they pass a limited prescription drug benefit for Medicare and keep spending at its current level, the deficit by 2013 will have built up to \$6.2 trillion. Once the baby boomers begin retiring at the end of this decade, the office said, that course will lead either to drastically higher taxes, severe spending cuts or ‘unsustainable levels of debt.’”

–*New York Times*, “Dizzying Dive to Red Ink Poses Stark Choices for Washington”

By David Firestone
September 14, 2003

GAO Comptroller General Walker Warns of Dangers of Current Fiscal Course

“The ultimate alternatives to definitive and timely action are not only unattractive, they are arguably infeasible. Specifically, raising taxes to levels far in excess of what the American people have ever supported before, cutting total federal spending by unthinkable amounts, or further mortgaging the future of our children and grandchildren to an extent that our economy, our competitive posture and the quality of life for Americans would be seriously threatened.”

**–GAO Comptroller General David M. Walker
Speech to the National Press Club
September 17, 2003**

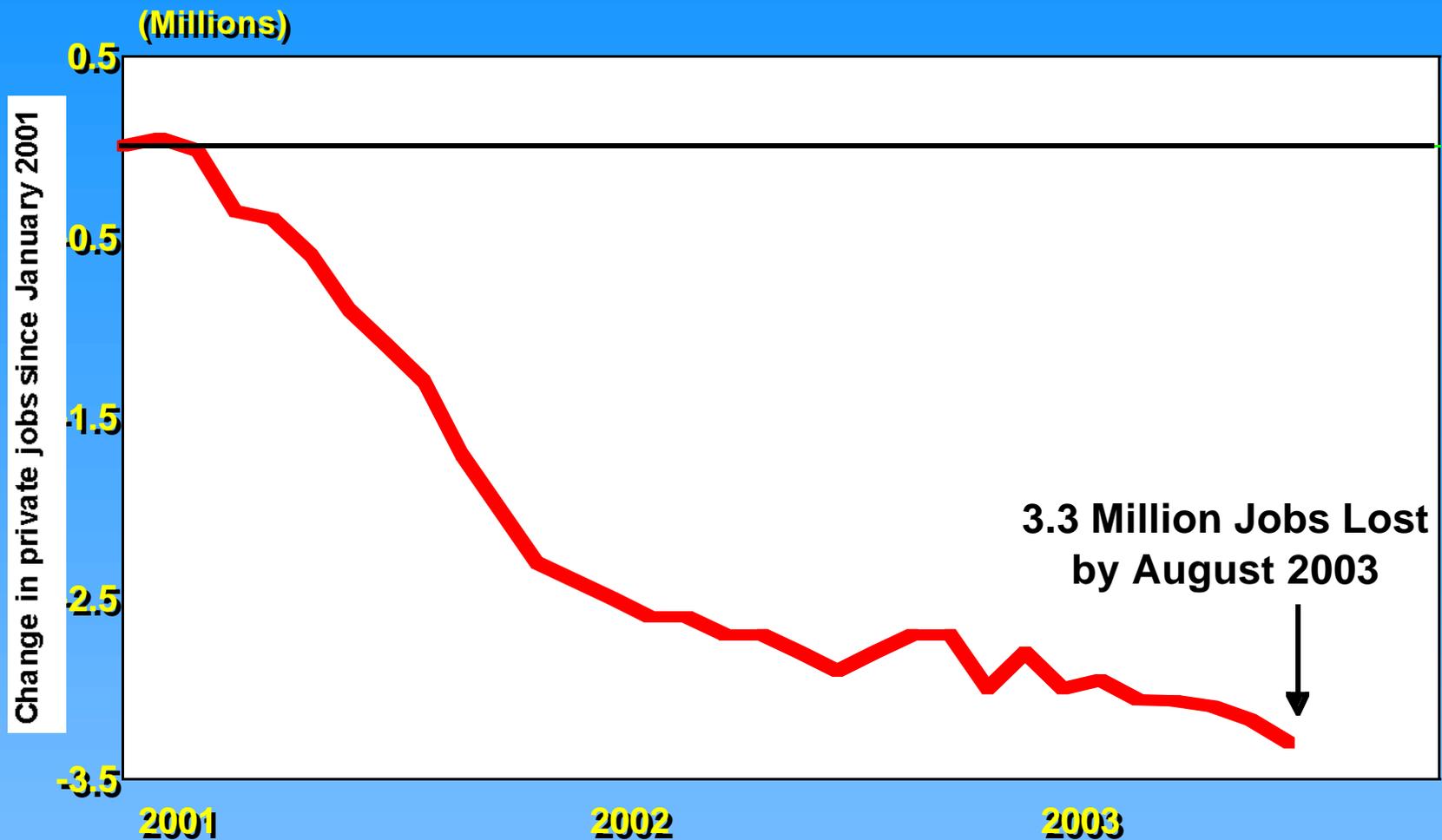
Bush Administration's Broken Promise on Job Creation

“It is important for you all to understand and for our fellow Americans to understand, the tax relief I have proposed – and will push for until enacted – will create 1.4 million new jobs by the end of 2004.”

**–President George W. Bush
Remarks in the Rose Garden
April 15, 2003**

Private-Sector Jobs Decline

3.3 Million Jobs Lost Since January 2001

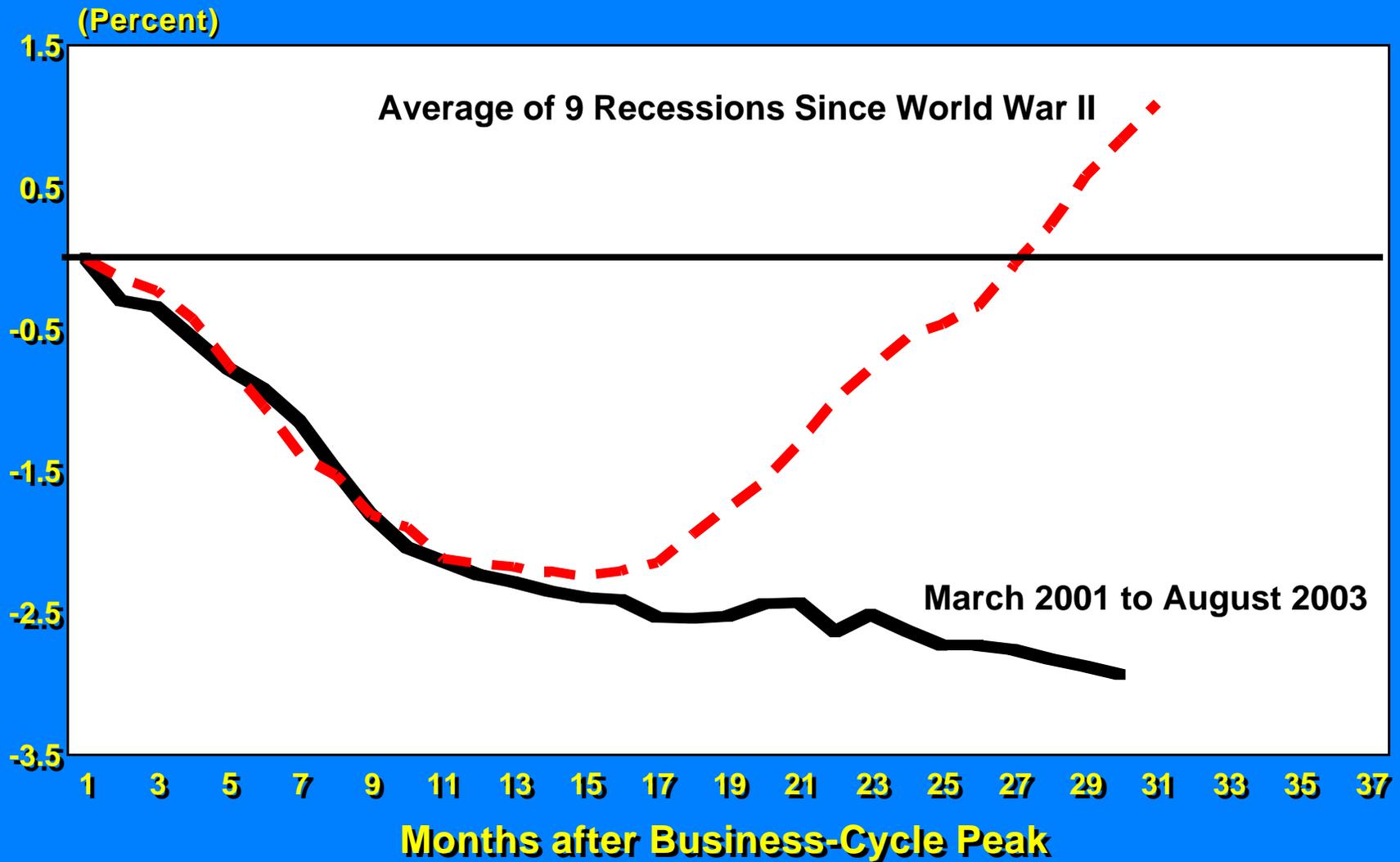


Source: Bureau of Labor Statistics

Note: Private Sector Jobs

The Job-Loss Recovery

Private-Sector Jobs, Percent Change from Business-Cycle Peak



Source: BLS

Fed Chairman Alan Greenspan Believes Deficits Matter

“There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended.”

**–Testimony before the Senate Banking Committee
February 11, 2003**

CBO Director Holtz-Eakin Believes Deficits Matter

“To the extent that going forward we run large sustained deficits in the face of full employment, it will in fact crowd out capital accumulation and otherwise slow economic growth.”

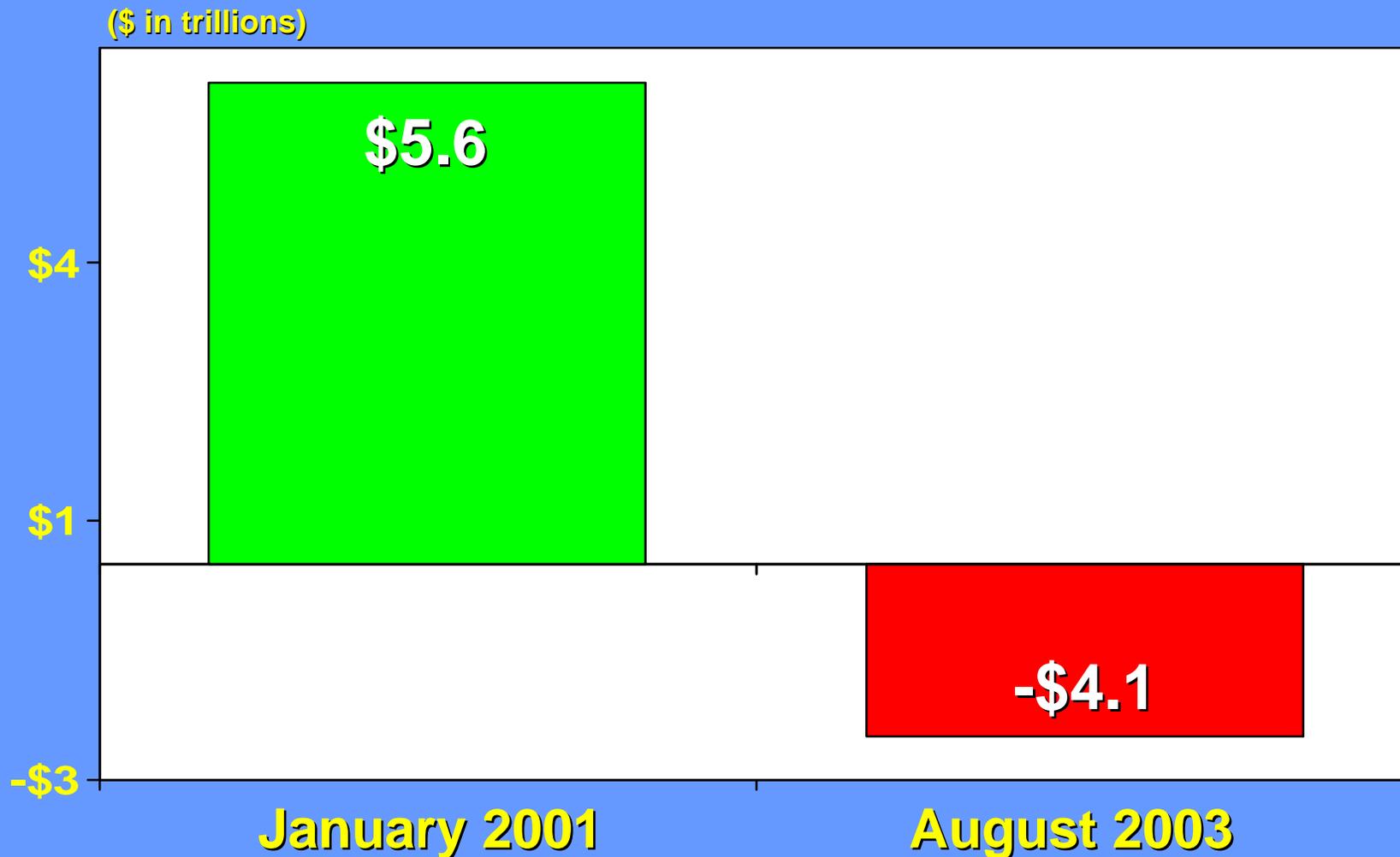
**–CBO Director Douglas Holtz-Eakin
Testimony before the Senate Budget Committee
September 3, 2003**

GAO Comptroller General Walker Believes Deficits Matter

“The ‘bottom line’ is, there is little question that deficits do matter, especially if they are large, structural and recurring in nature. In addition, our projected budget deficits are not ‘manageable’ without significant changes in ‘status quo’ programs, policies, processes and operations.”

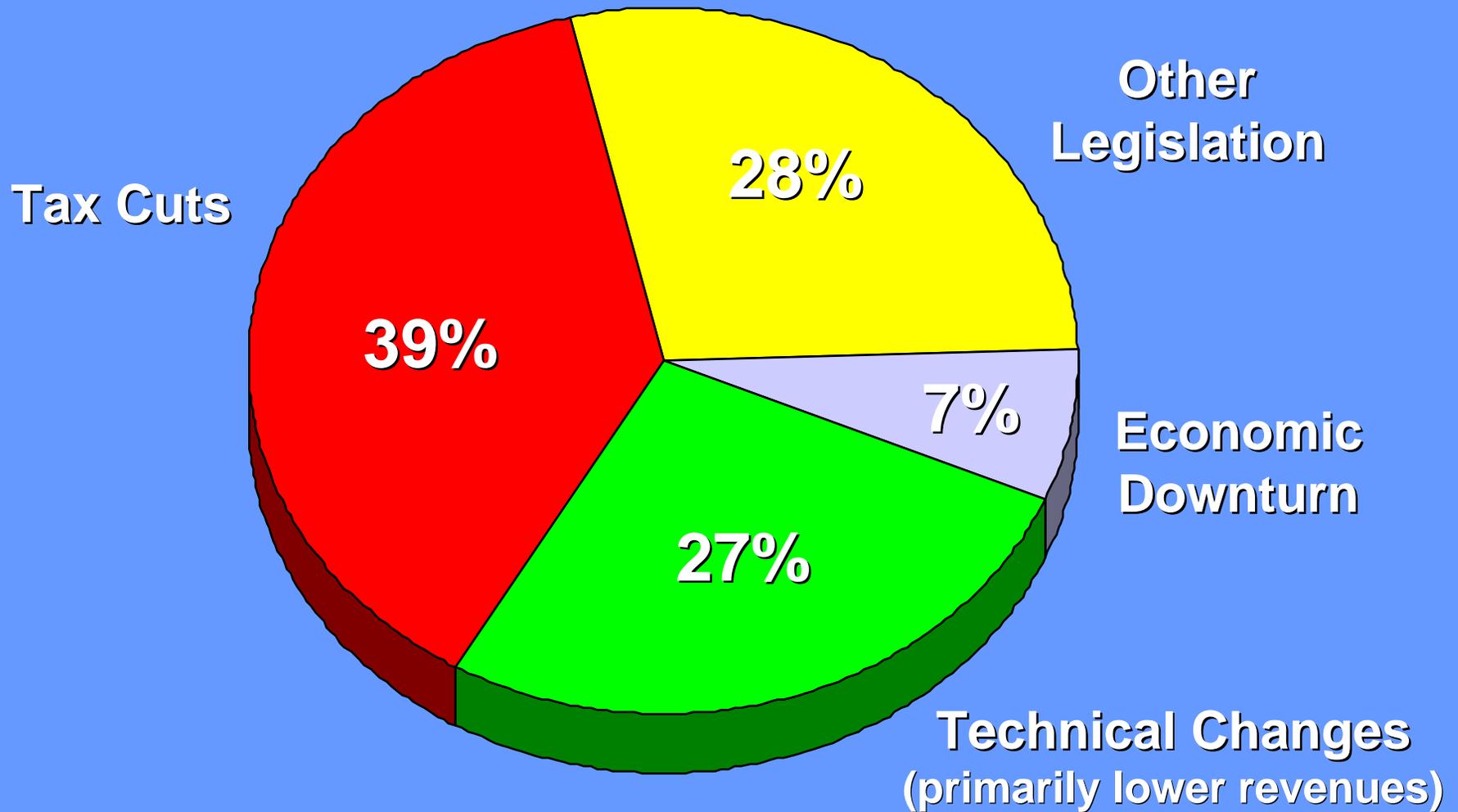
**–GAO Comptroller General David M. Walker
Speech to the National Press Club
September 17, 2003**

Unified Surplus Disappears Under GOP Budget Policies Nearly \$9.7 Trillion Reversal in 2-1/2 Years (FY 2002-2011)



Source: January 2001 - CBO January 2001 baseline
August 2003 - CBO August 2003 baseline plus CBO's estimates of the extension of expiring taxes, AMT reform, and a prescription drug benefit.

Reasons for \$9.7 Trillion Reversal in Surplus Projections FY 2002-2011



Note: Reflects changes in CBO projections from January 2001 to August 2003, including CBO estimates of the extension of expiring taxes, AMT reform, and a prescription drug benefit.
Source: CBO

GAO Comptroller General Walker Believes We Can't Grow Our Way Out of Deficit

“[T]he consensus opinion at a recent meeting of prominent economists representing a wide variety of ideological viewpoints was that...‘we cannot simply grow our way out of this problem!’”

**–GAO Comptroller General David M. Walker
Speech to the National Press Club
September 17, 2003**

The Washington Post

FRIDAY, SEPTEMBER 26, 2003

In GOP, Concern Over Iraq Price Tag

Some Doubt Need For \$20.3 Billion For Rebuilding

By JONATHAN WEISMAN
and JULIET EILPERIN
Washington Post Staff Writers

A new curriculum for training an Iraqi army for \$164 million. Five hundred experts, at \$200,000 each, to investigate crimes against humanity. A witness protection program for \$200,000 per Iraqi participant. A computer study for the Iraqi postal service: \$54 million.

Such numbers, buried in President Bush's \$20.3 billion request for Iraq's reconstruction, have made some congressional Republicans nervous, even furious. Although the GOP leadership has tried to unite publicly around its president, cracks are beginning to show.

"President Bush should live up to his recent pledges to restrain spending, by . . . taking a strong stance that the new Iraq can and should pay for its own reconstruction," wrote Rep. Tom Feeney (Fla.), a freshman Republican, and Stephen Moore, a conservative economist, in an editorial for the *National Review*.

The discontent is relatively contained so far, said Jim Dyer, Republican staff director of the House Appropriations Committee, but that is because few lawmakers have read the proposal's fine print. As more details seep out, he said, anger is sure to rise.

Those details include \$100 million to build seven planned communities with a total of 3,258 houses, plus roads, an elementary school, two high schools, a clinic, a place of worship and a market for each; \$10 million to finance 100 prison-building experts for six months, at \$100,000 an expert; 40 garbage trucks at \$50,000 each; \$900 million to import petroleum products such as kerosene and diesel to a country with the world's second-largest oil reserves; and \$20 million for a four-week business course, at \$10,000 per student.

See REPUBLICANS, A22, Col. 1