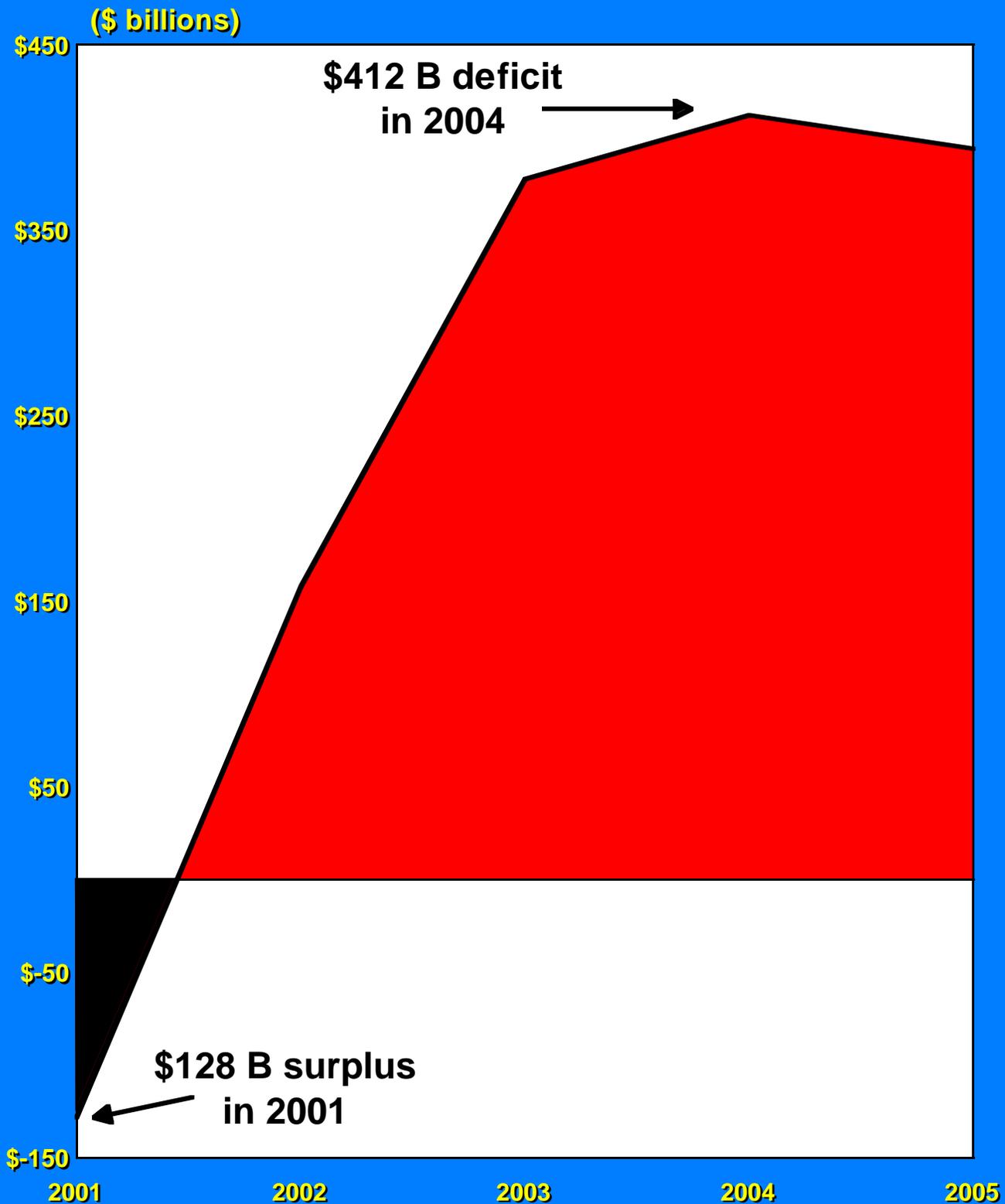


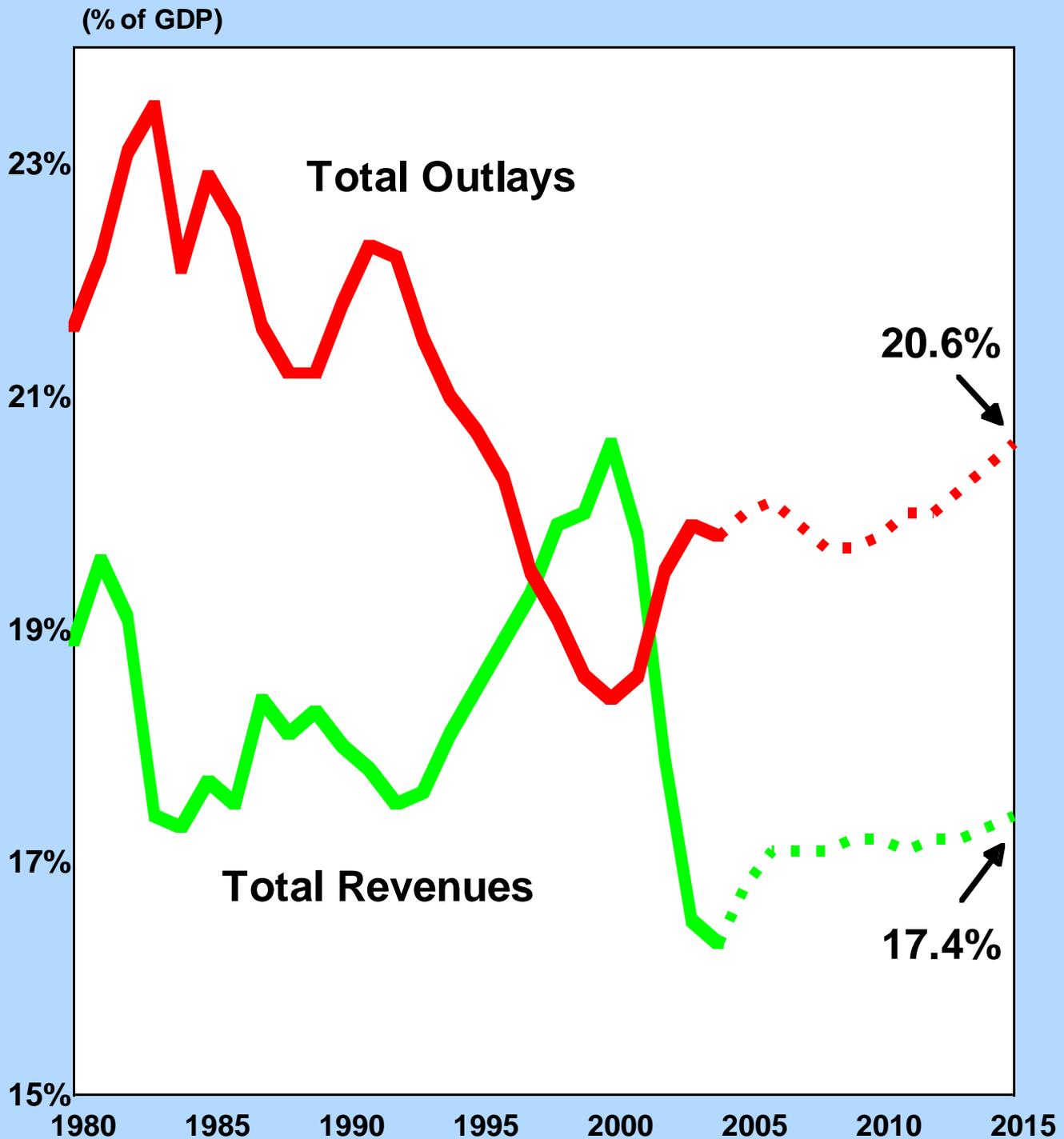
Deficits Soar Since 2001



Note: All years are fiscal years.

Source: CBO

Deficits Primarily Caused by Drop in Revenues, Not Increase in Spending



Source: SBC Democratic staff

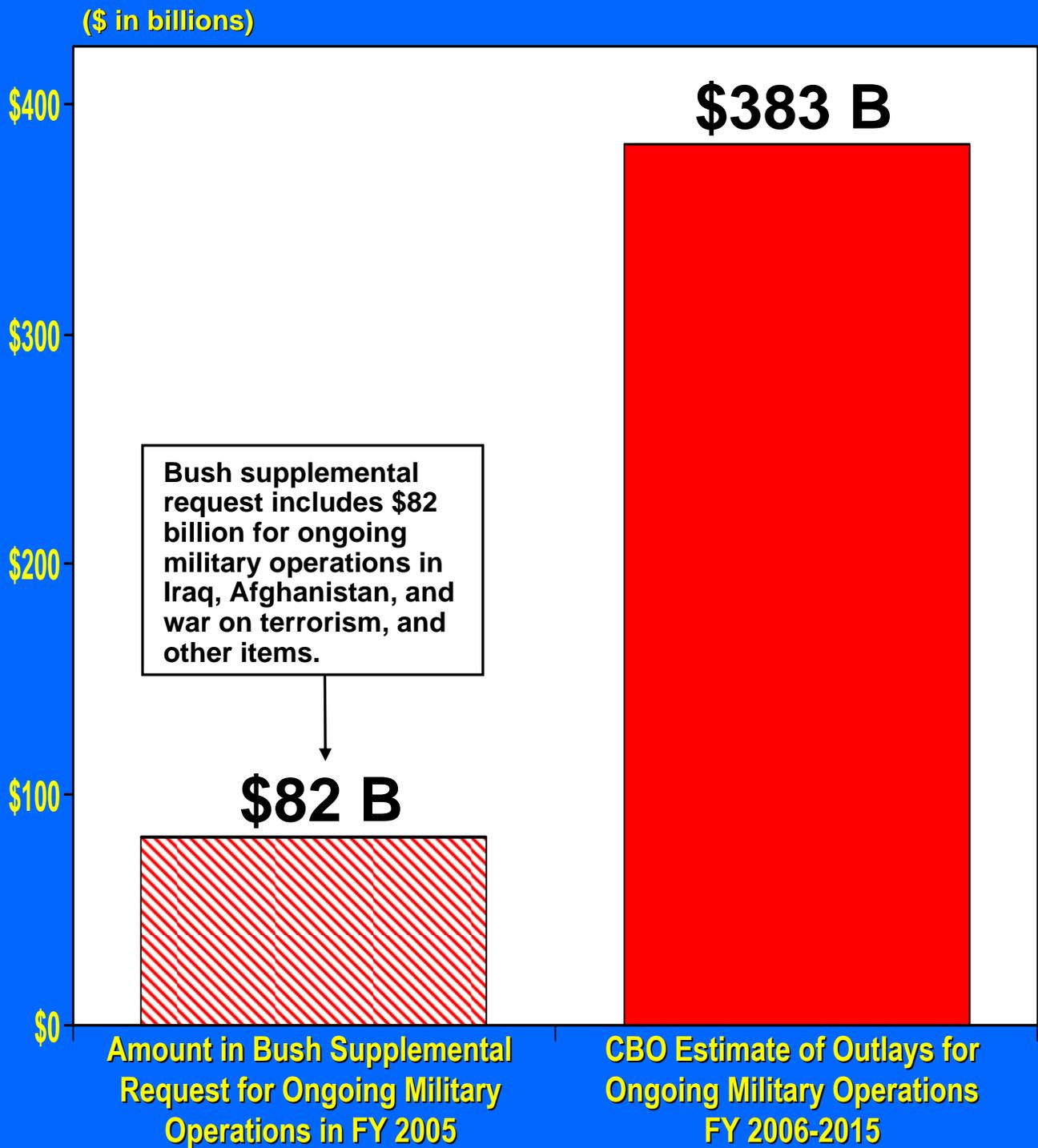
Note: CBO March 2005 reestimate of Bush FY 2006 budget with AMT reform, ongoing war costs, and the President's Social Security privatization plan.

Comptroller General Walker Warns That Fiscal Outlook is Worse Than Claimed

**“The simple truth is that our
nation’s financial condition is
much worse than advertised.”**

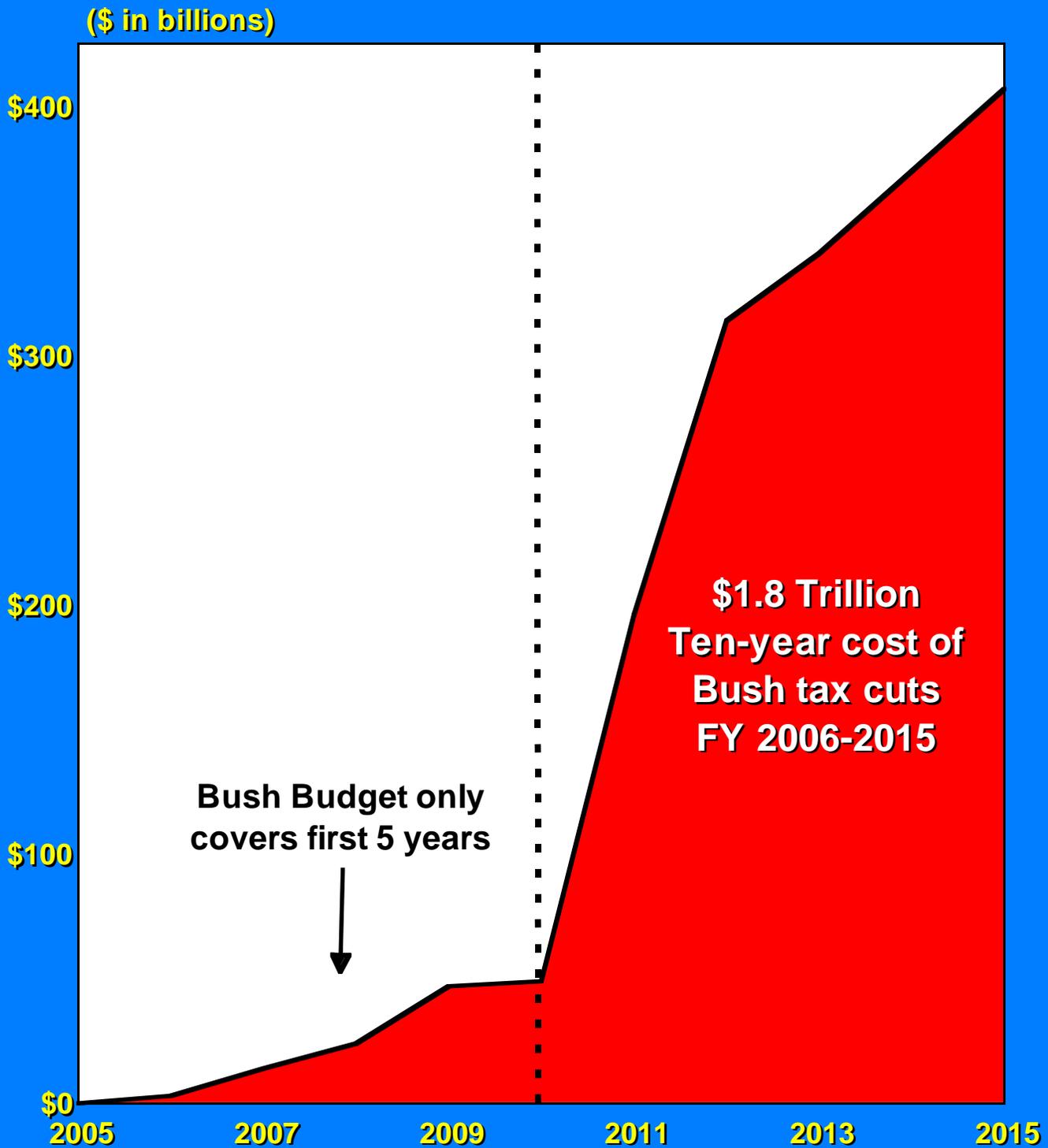
**–GAO Comptroller General David M. Walker
Speech to National Press Club
February 2, 2005**

Long-Term Costs Underfunded for Ongoing Operations in Iraq, Afghanistan, and Continuing War on Terror



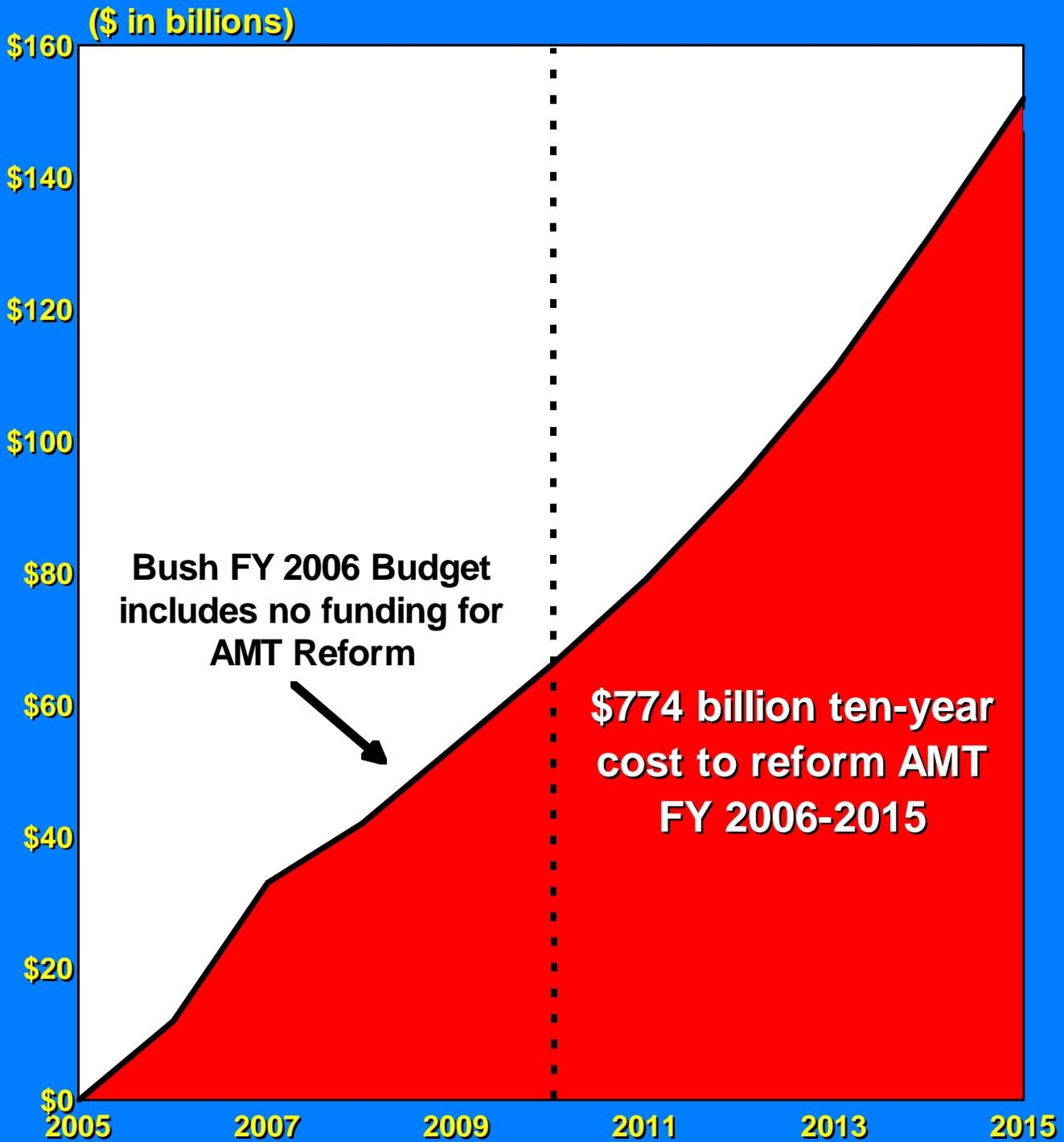
Source: OMB, CBO

Cost of Bush Tax Cuts Explodes Outside Five-Year Budget Window



Source: CBO, Bush FY 2006 Budget
Note: Includes debt service.

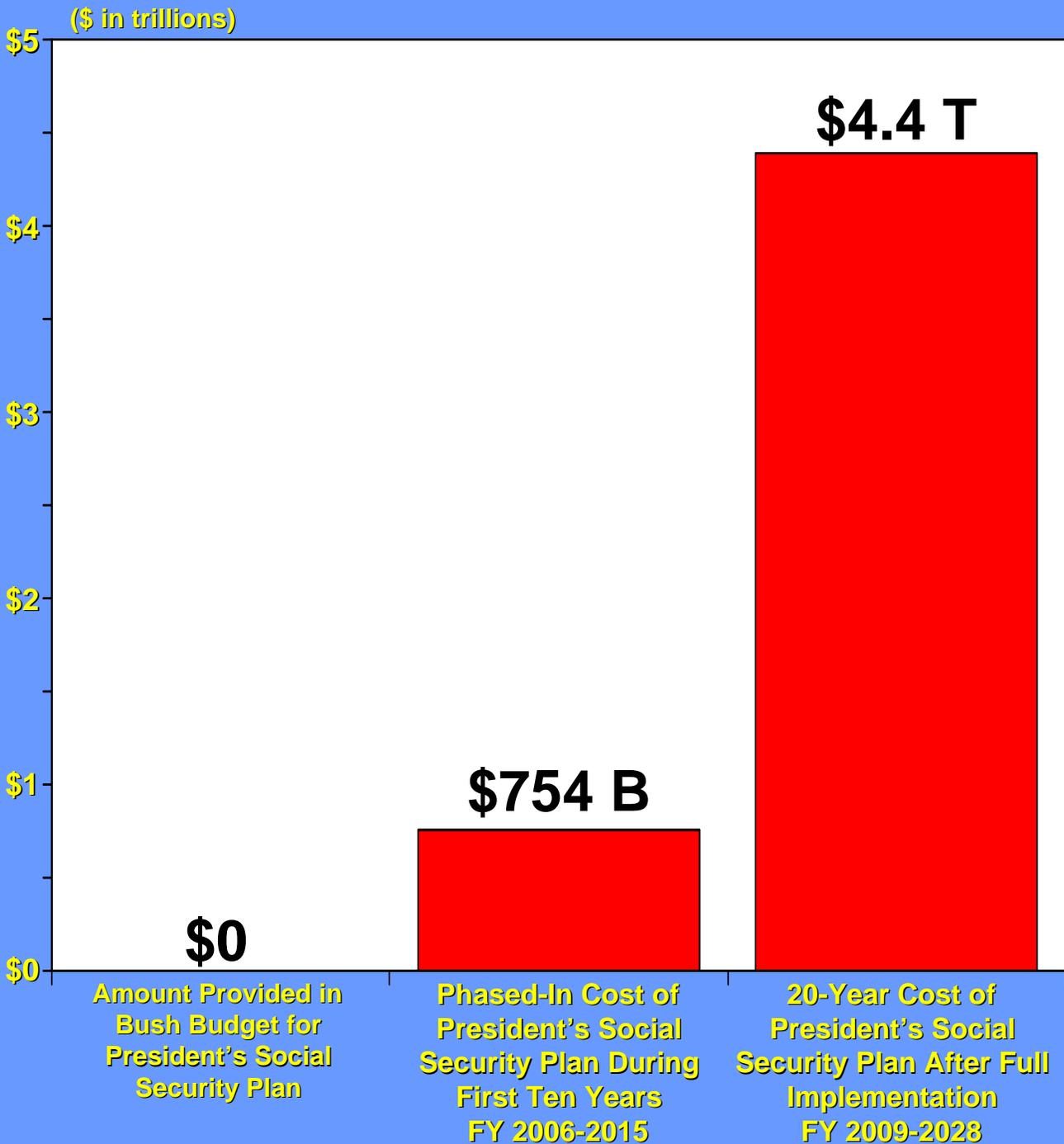
Cost of AMT Reform Explodes Outside Five-Year Budget Window



Source: CBO

Note: Includes interest cost, assumes tax cuts made permanent.

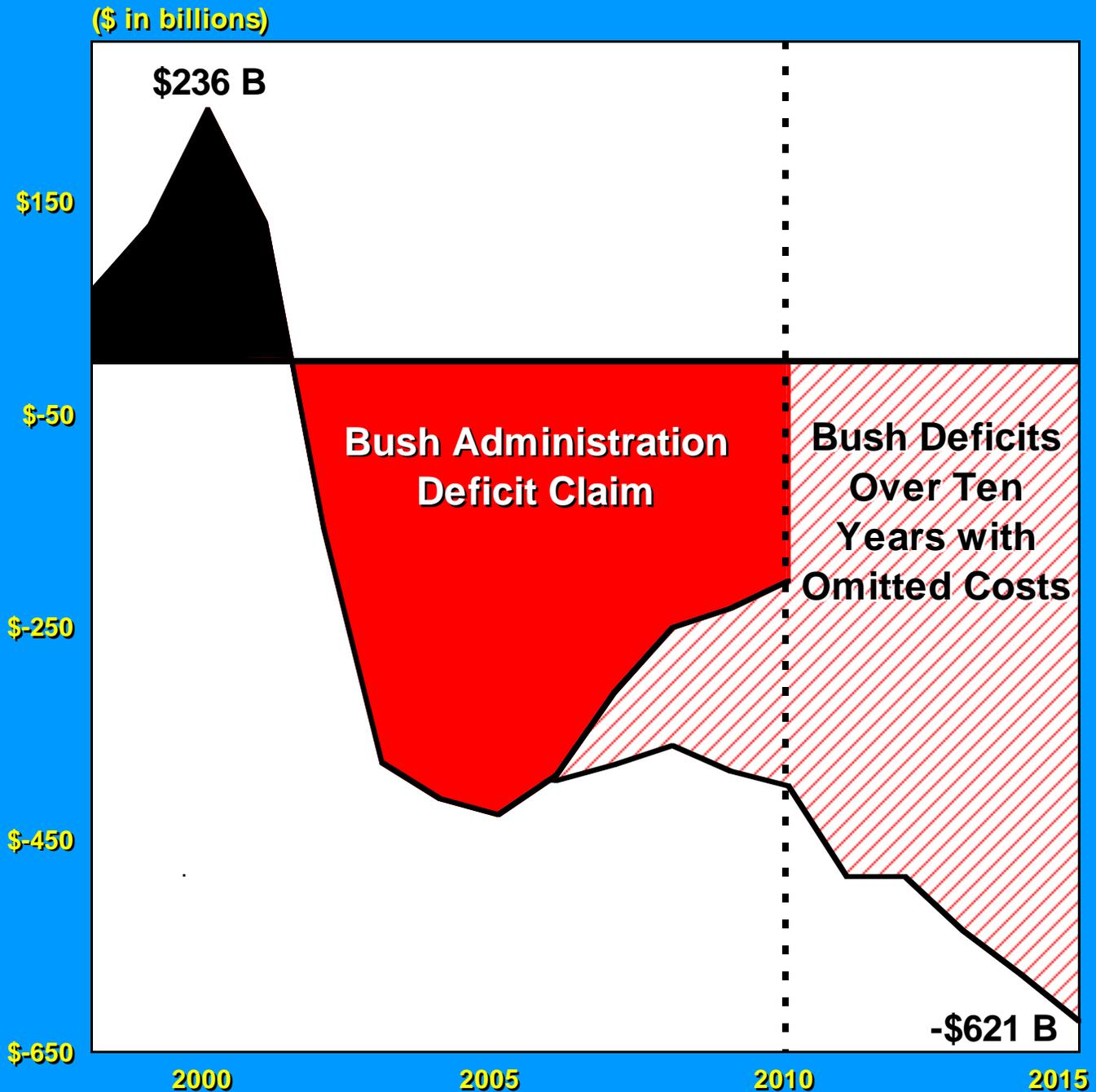
Bush Budget Provides No Funding for President's Social Security Plan



Note: The 20-year cost of President's Social Security plan assumes price indexing of benefits.

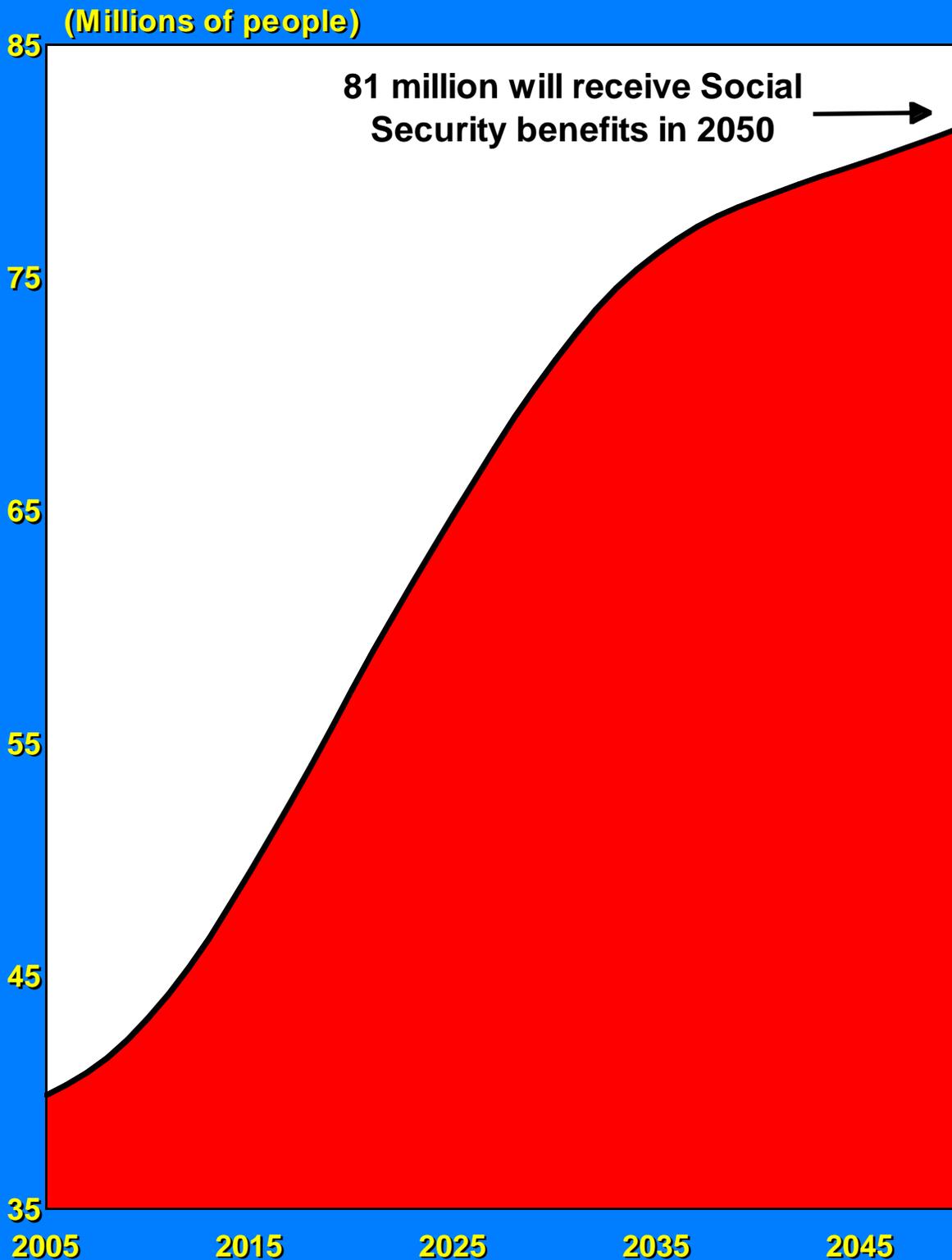
Source: OMB, SSA, CBPP

Bush Budget Hides Worsening Budget Outlook



Source: OMB, CBO, SBC Democratic staff
Note: CBO March 2005 reestimate of Bush FY 2006 budget with AMT reform, ongoing war costs, and the President's Social Security privatization plan.

Number of Social Security Beneficiaries Explodes with Retirement of Baby Boom Generation



Source: 2005 Social Security Trustees Report
Note: OASI beneficiaries

President Bush Promised to Protect Social Security

**“None of the Social Security surplus
will be used to fund other spending
initiatives or tax relief.”**

**– Excerpt from President Bush’s FY 2002 Budget
*A Blueprint for New Beginnings***

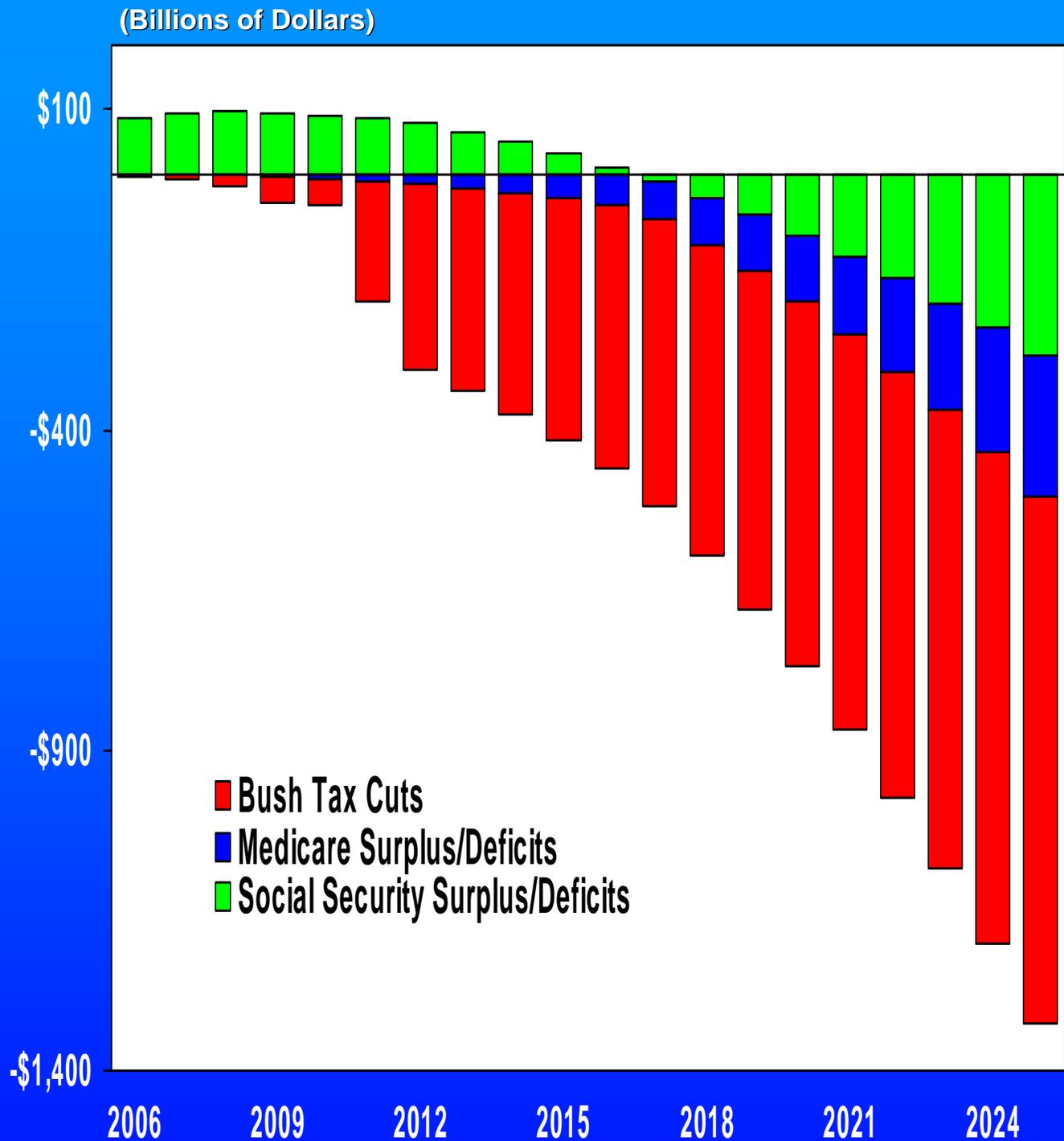
Under Bush Policies, Every Penny of Social Security Surplus Spent



Source: CBO

Note: Amount of Social Security surplus spent on tax cuts and other things, instead of saved to prepare for retirement of baby boom generation.

Tax Cuts Explode as Trust Fund Cash Surpluses Become Deficits FY 2006-2025

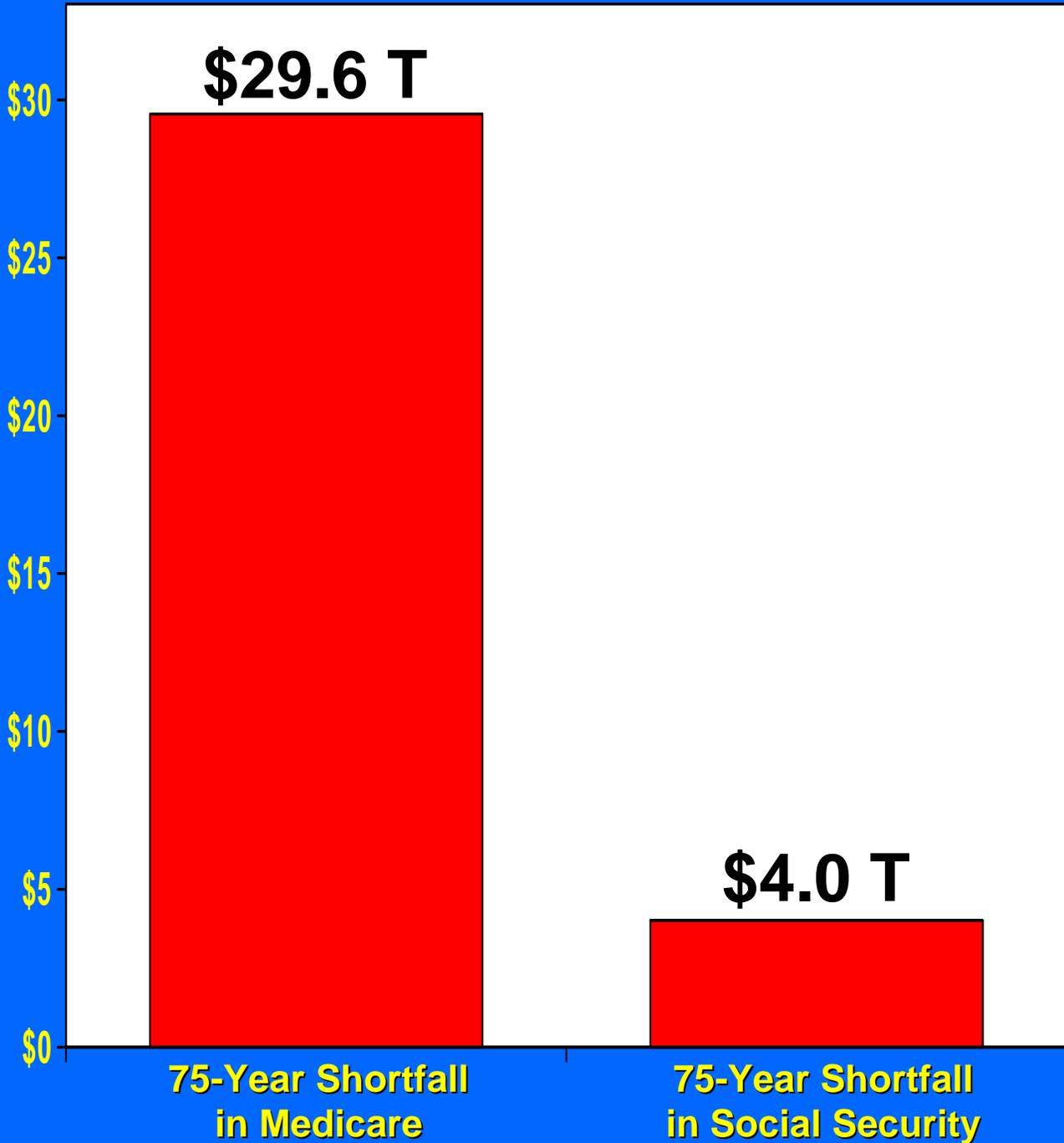


Source: Social Security Trustees 2005 Annual Report, CBO, CBPP, and SBC Democratic staff

Comparing Long-Term Costs of Medicare and Social Security

Present Value of Costs Over Next 75 Years

(\$ in trillions)



Source: Social Security Trustees 2005 Annual Report

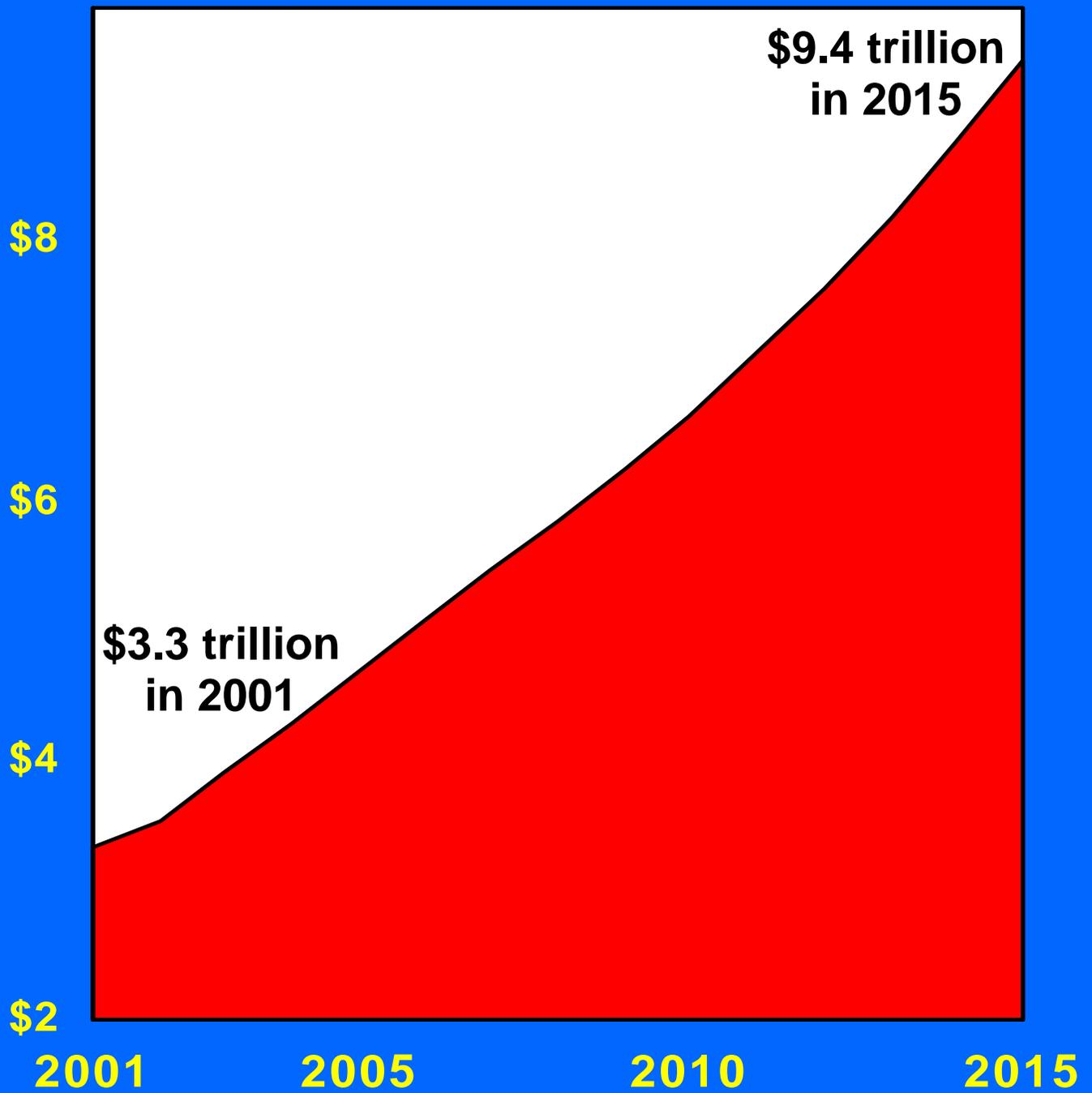
Bush Administration on Importance of Paying Down Debt

“...(M)y budget pays down a record amount of national debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.”

**–President George W. Bush
Radio Address
March 3, 2001**

Publicly-Held Debt

Assuming Bush Budget Policies



Source: SBC Democratic staff

Note: CBO March 2005 reestimate of Bush FY 2006 budget with AMT reform, ongoing war costs, and the President's Social Security privatization plan.

Top Ten Countries Holding Our National Debt

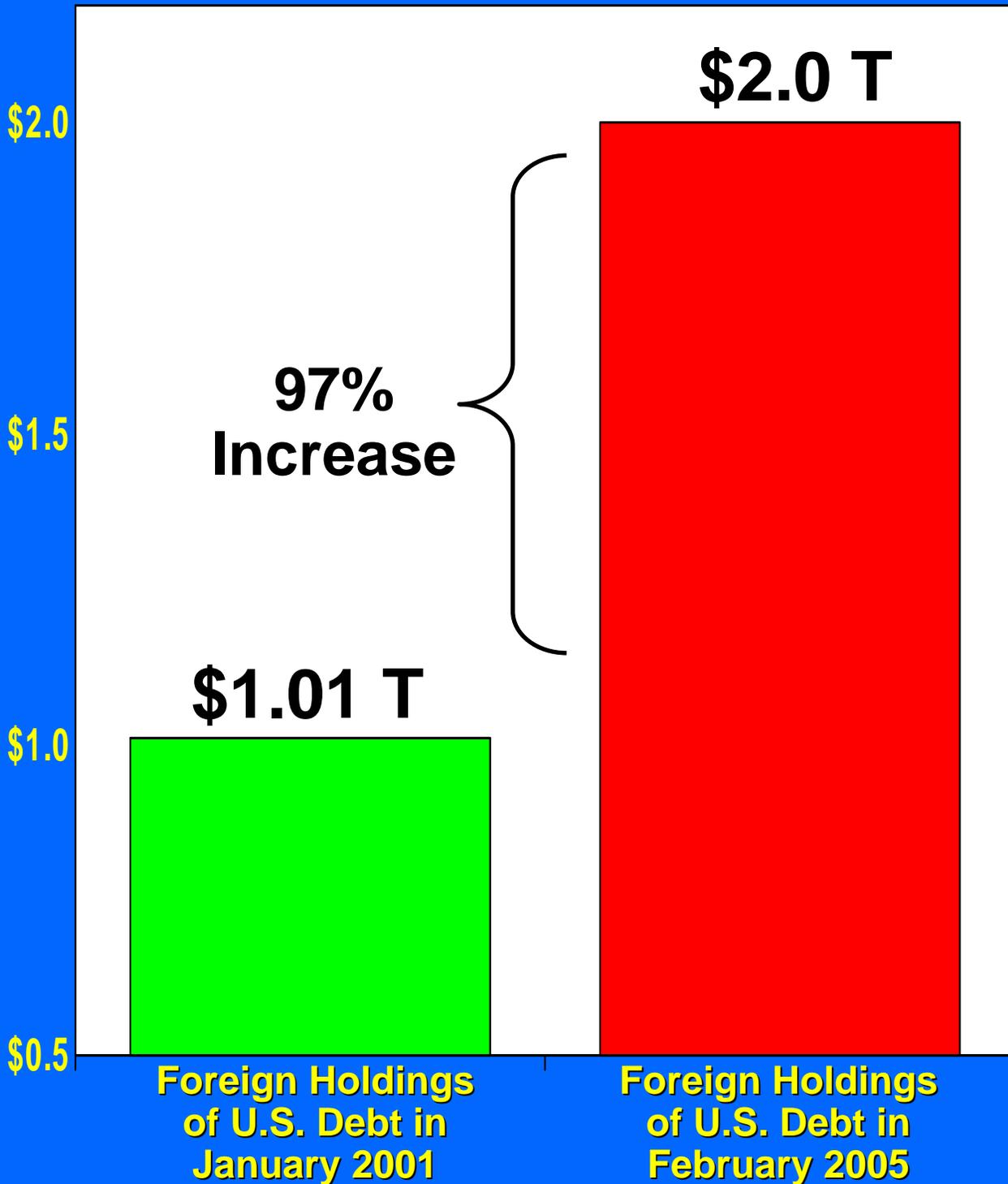
Japan	\$702 B
China	\$196 B
United Kingdom	\$171 B
“Caribbean Banking Centers”	\$104 B
South Korea	\$67 B
OPEC	\$65 B
Germany	\$60 B
Taiwan	\$59 B
Switzerland	\$53 B
Hong Kong	\$53 B

Source: Department of Treasury

Note: As of February 2005

Foreign Holdings of U.S. Treasury Debt Have Increased 97 Percent Under President Bush

(\$ in trillions)



Source: U.S. Treasury

Central banks shun US assets

Shifting reserves to eurozone will deepen Bush's difficulties in funding deficit ● Actions likely to undermine dollar's value further

By Chris Giles, Economics Editor

Central banks are shifting reserves away from US assets and towards the eurozone in a move that looks set to deepen the Bush administration's difficulties in financing its ballooning current account deficit.

In actions likely to undermine the dollar's value on currency markets, 70 per cent of central bank reserve managers said they had increased their exposure to the euro over the past two years. The majority thought eurozone money and debt markets were as attractive a destination for investment as the US.

The findings emerge from a survey of central bank reserve managers published today and conducted between September

and December of last year. About 65 central banks, controlling assets worth \$1,700bn, took part and the results showed a marked change in attitude over the past two years.

Any rebalancing of central bank reserve portfolios has serious implications for the global financial system as the US has become increasingly dependent on official flows of funds to finance its current account deficit, estimated at \$650bn in 2004.

At the end of 2003, central banks held 70 per cent of their official reserves in dollar-denominated assets and central bank purchases of US securities had financed more than 80 per cent of the the US current account deficit in 2003.

Any reluctance to increase exposure to dollar assets further could cause the greenback to plunge on currency markets.

"The US cannot take support for the dollar for granted," said Nick Carver, one of the authors of the study conducted by Central Banking Publications, a company that specialises in reporting on central banks.

"Central banks' enthusiasm for the dollar seem to be cooling off."

In a further worrying sign for the greenback, 47 per cent of reserve managers surveyed said they expected the growth of official reserves to slow to less than 20 per cent over the next four years. Between the end of 2000 and mid-2004, official reserves had increased by 66 per cent.

Slower reserve accumulation

growth implies the supply of official finance is likely to become more limited but few expect the demand from the US for finance to slow. The consensus among economists is that the US current account deficit will increase to \$694bn in 2005.

More than 90 per cent of central bank reserve managers said that the income from reserve management was "important" or "very important".

In the two years since a similar survey was conducted, reserve managers had begun to seek higher returns for the money under management.

For these managers, dollar assets have become less attractive because the fall in the dollar since 2002 has reduced the yield they received and, in some cases,

has led to negative real returns.

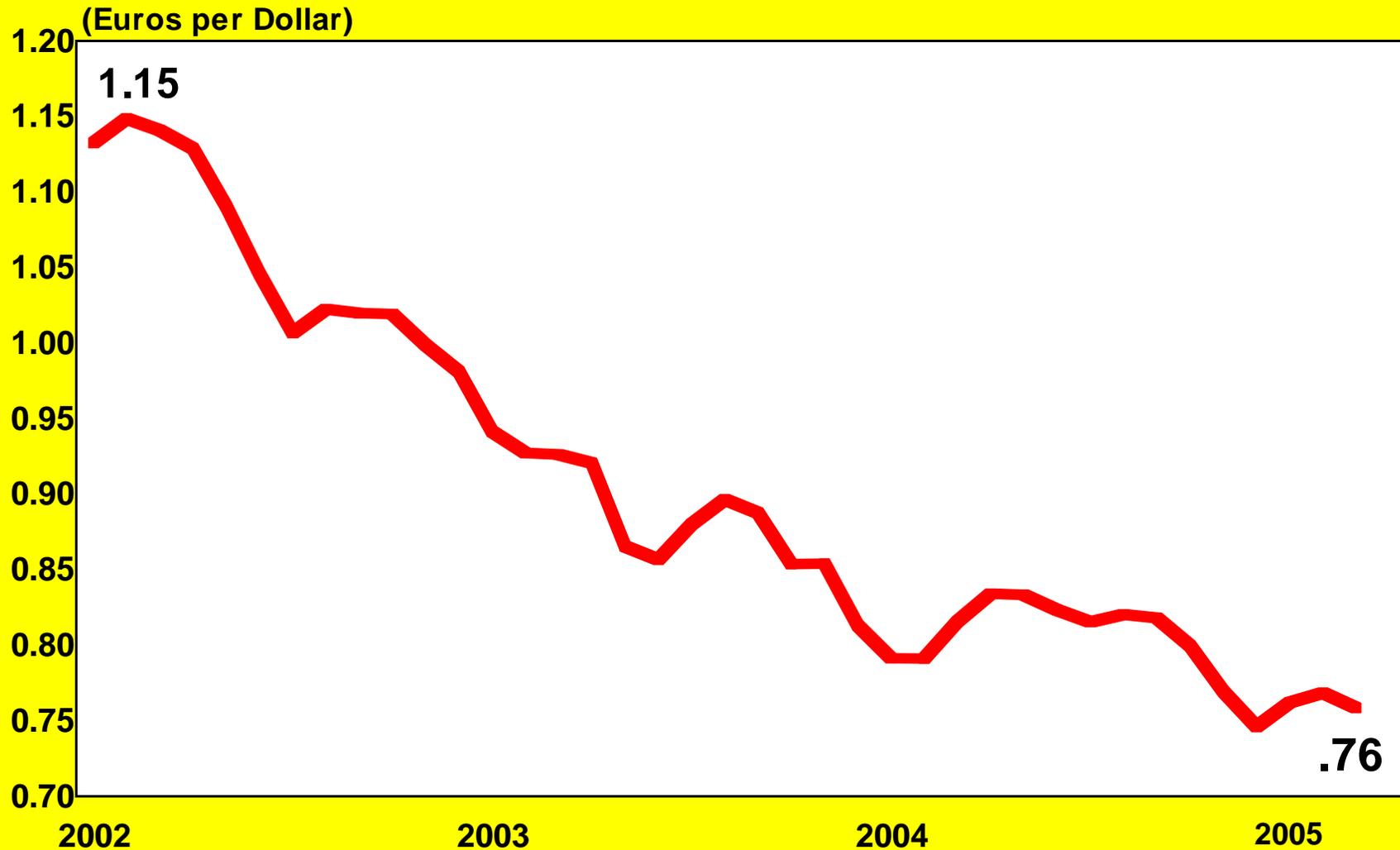
Alan Greenspan, the chairman of the Federal Reserve, warned in November that there was a limit to the willingness of foreign governments to finance the US current account deficit.

The survey was conducted on the guarantee of anonymity for the banks involved. The 65 central banks that participated control 45 per cent of global official reserves. Individually, they had up to \$250bn under management.

The People's Bank of China and the Bank of Japan control larger official reserves than this so it is clear that they did not respond to the survey.

US depends on central banks, Page 2
Week Ahead, Page 24
News background: www.ft.com/dollar

Dollar Declines Almost 34 Percent Against Euro

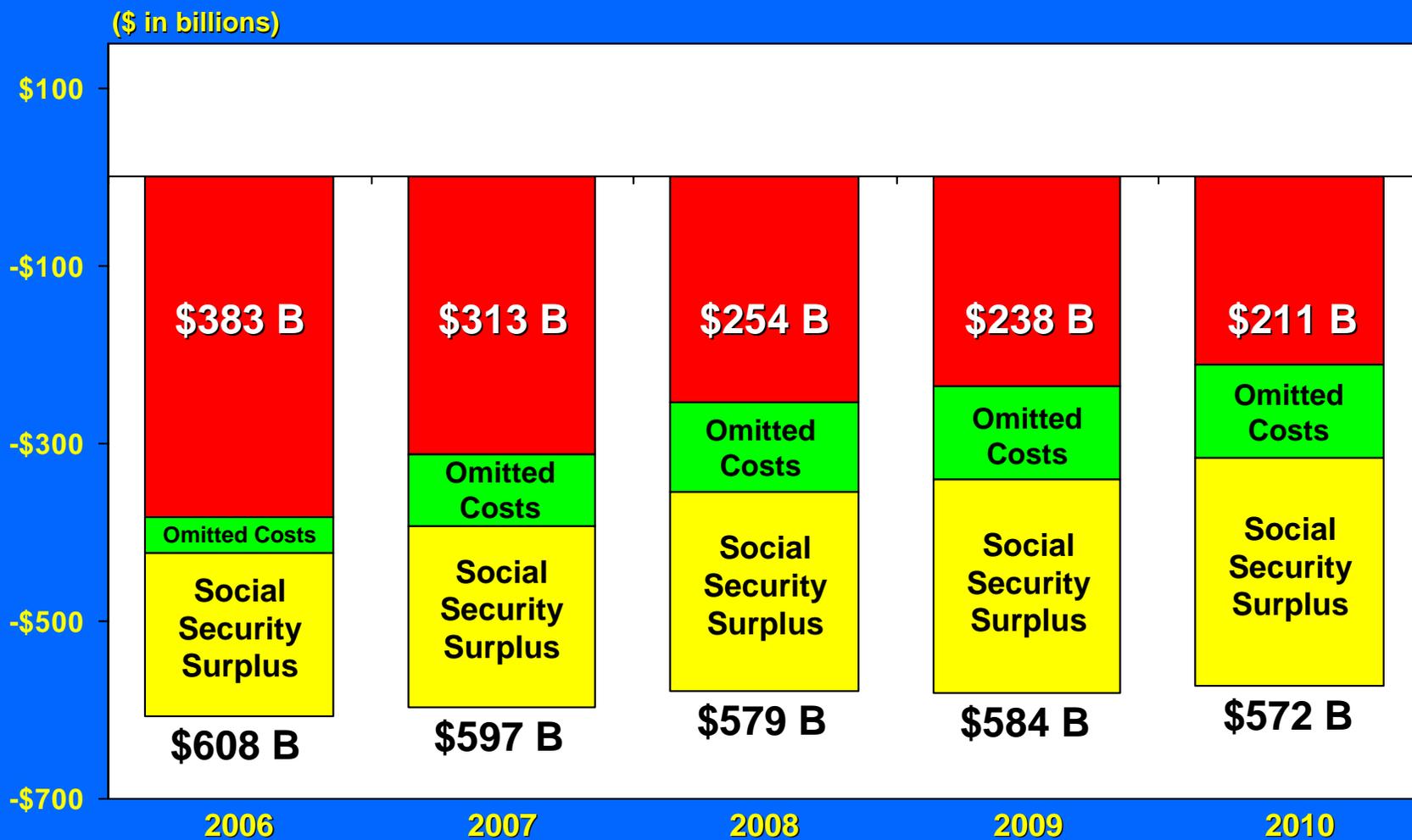


Source: Federal Reserve Board

What's Left Out of GOP Budget Conference Report

- ✗ Full 10-Year Numbers**
- ✗ Funding for Ongoing Iraq Costs Beyond FY 2006**
- ✗ AMT Reform**
- ✗ Social Security Privatization Costs**

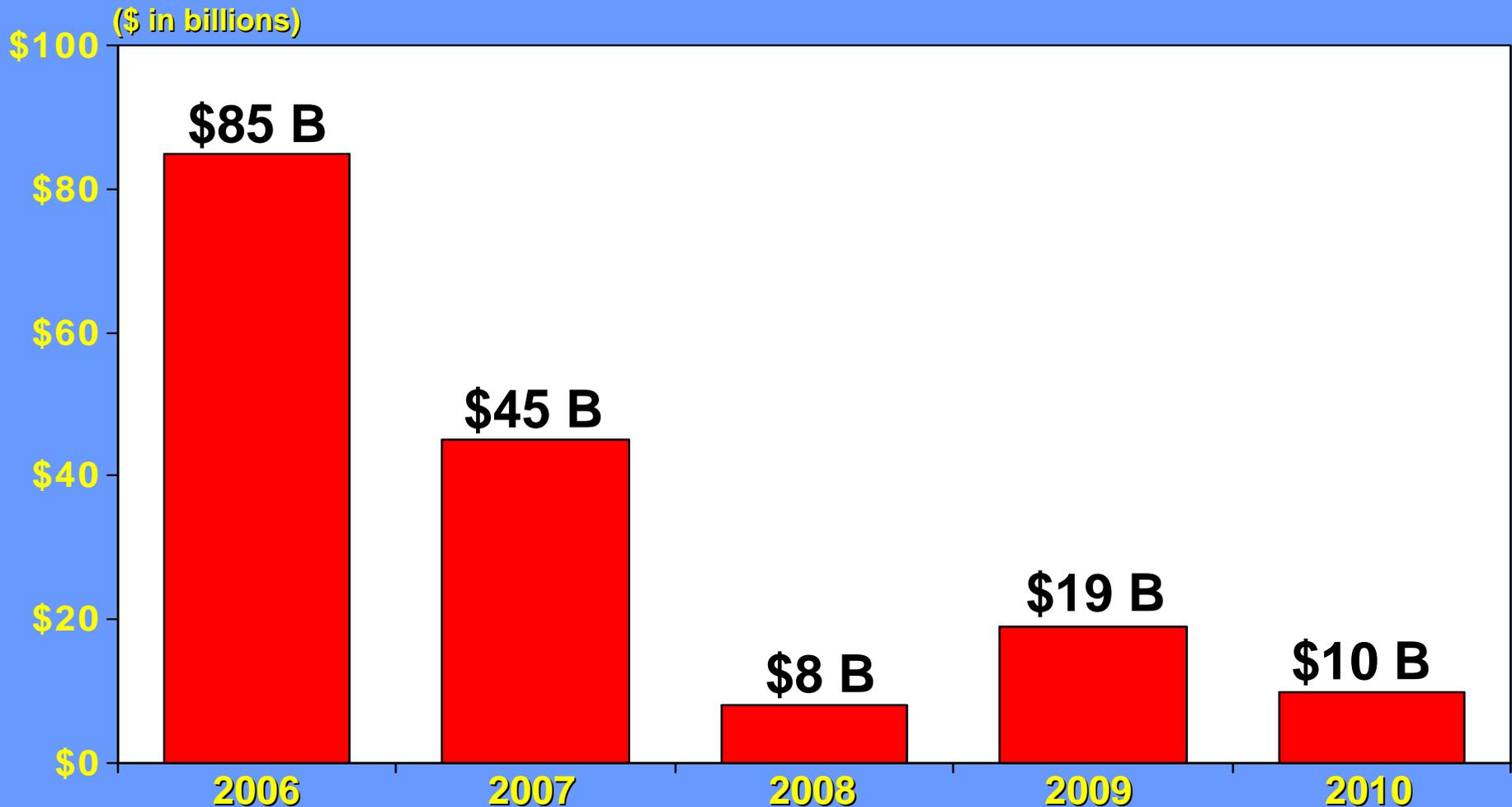
Deficits Under GOP Budget Conference Report with Ongoing War Costs, AMT Reform, and Social Security Surplus Spent



Source: CBO, FY 2006 GOP Budget Conference Report
 Note: Omitted costs include AMT reform and ongoing war costs.

GOP Budget Conference Report Increases the Deficit by \$168 Billion Over 5 Years

Increase Above CBO Baseline Deficit



Source: FY 2006 GOP Budget Conference Report

GOP Budget Conference Report Increases Debt Every Year Over Five-Year Period

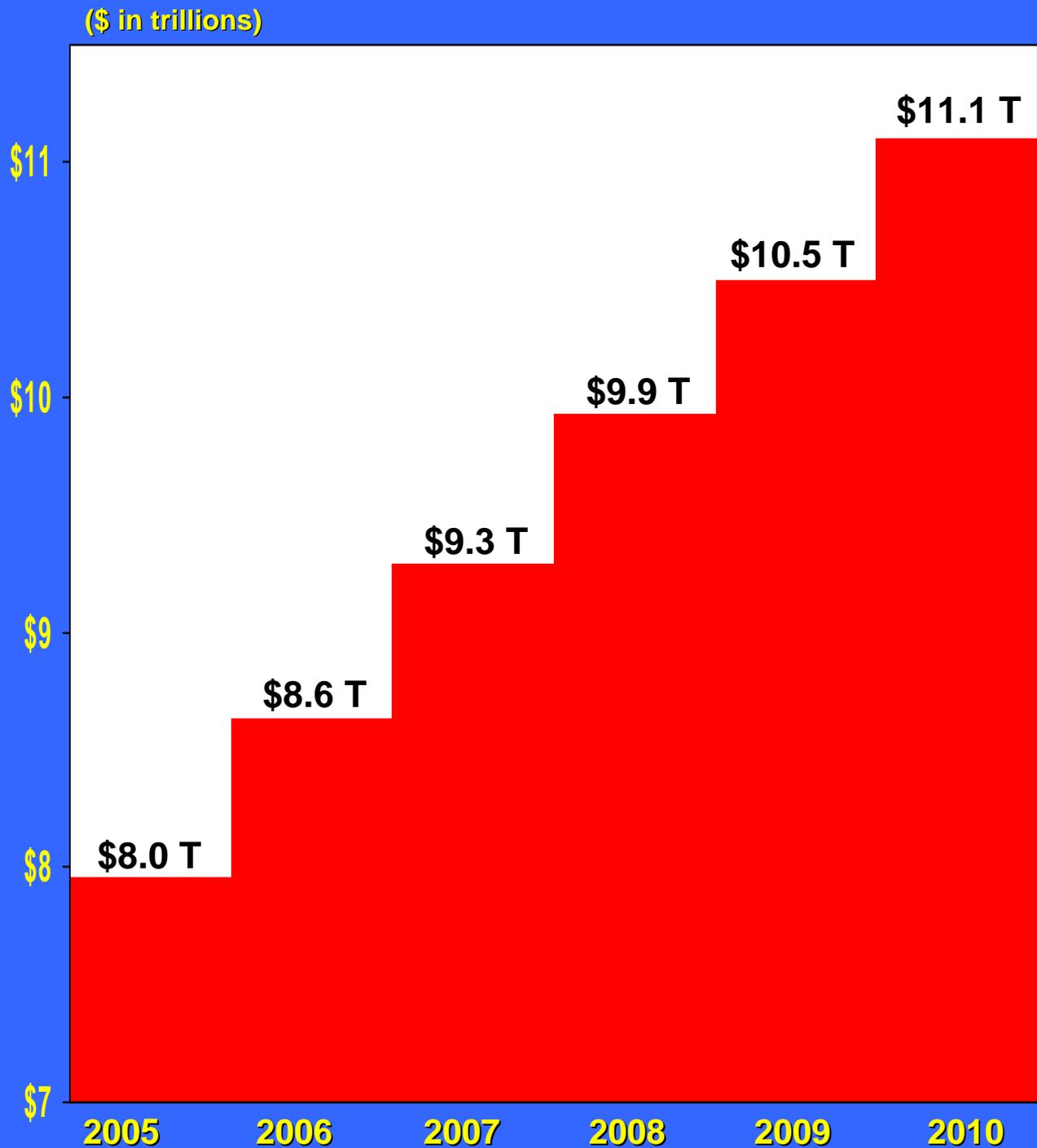
FISCAL YEAR 2006 BUDGET RESOLUTION
GOP BUDGET CONFERENCE REPORT
(In billions of dollars)

Fiscal year	2005	2006	2007	2008	2009	2010
Summary						
Debt Held by the Public (end of year)	4,689	5,082	5,409	5,677	5,927	6,150
Debt Subject to Limit (end of year)	7,962	8,645	9,284	9,890	10,500	11,105
	<i>683</i>	<i>639</i>	<i>606</i>	<i>610</i>	<i>605</i>	

Source: FY 2006 GOP Budget Conference Report

Building a Wall of Debt

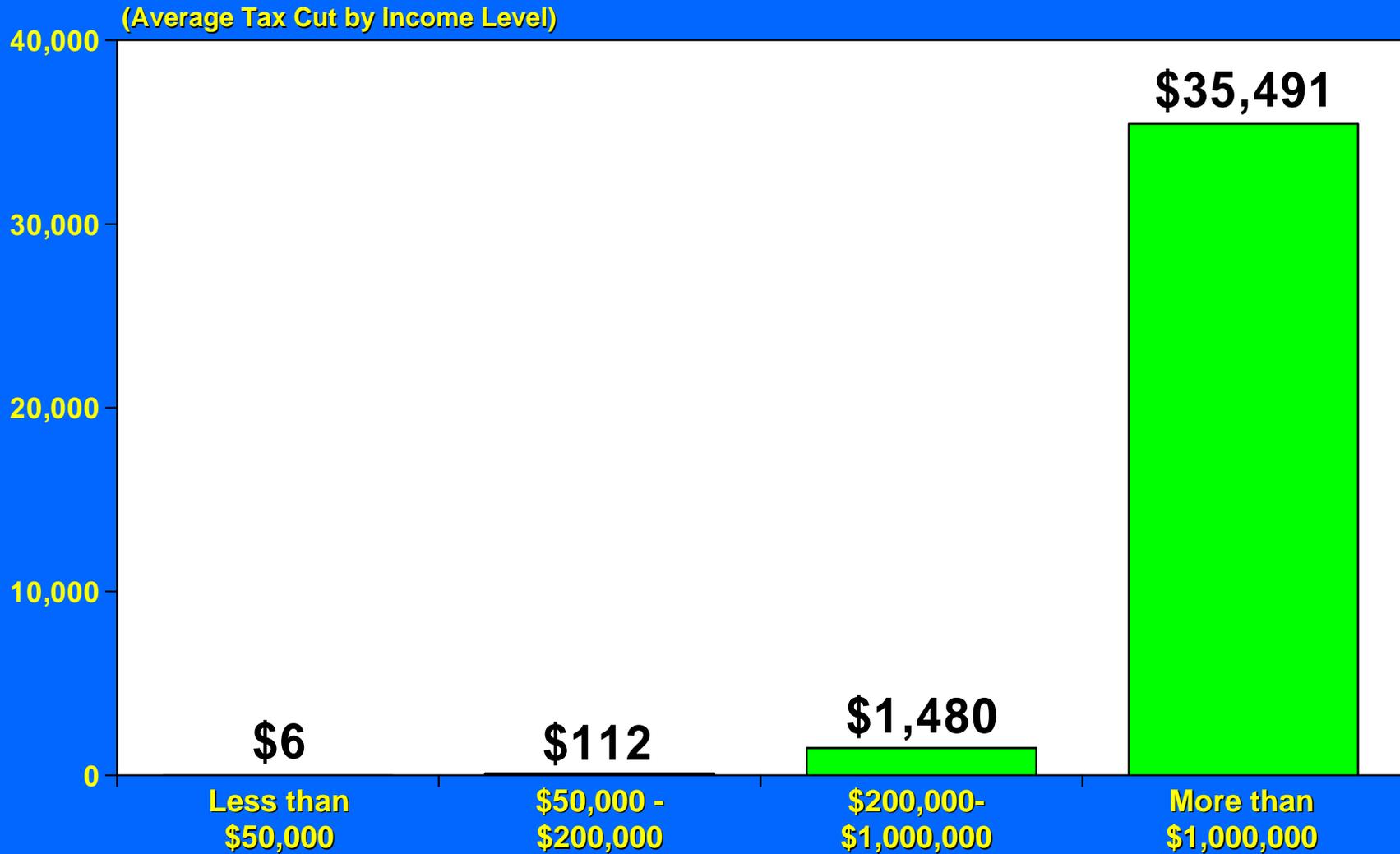
GOP Budget Conference Report



Note: Debt subject to limit.

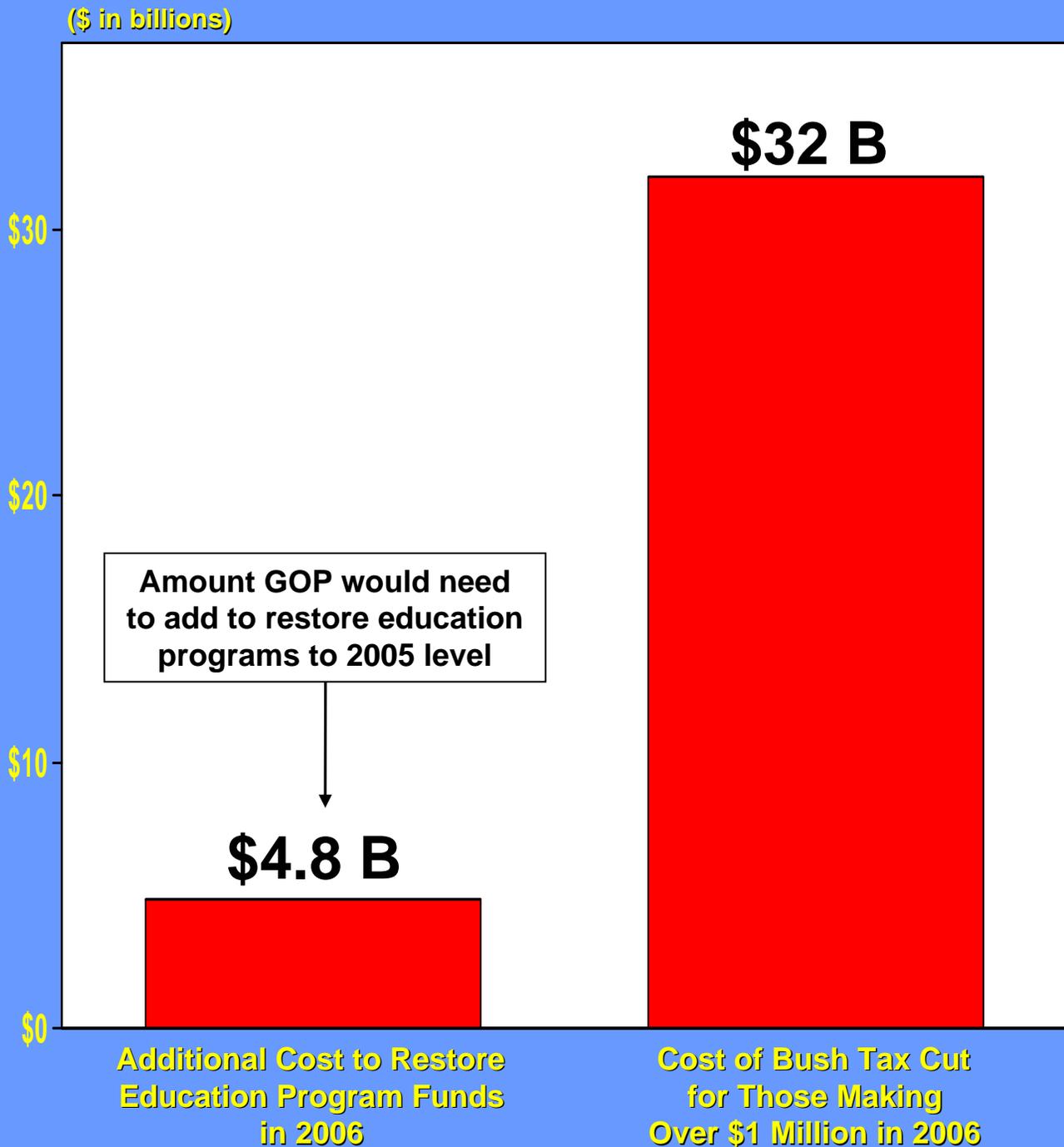
Source: FY 2006 GOP Budget Conference Report

Dividends/Capital Gains Cut Provides Millionaires a \$35,000 Tax Break



Source: Urban-Brookings Tax Policy Center

The Wrong Priorities: GOP Budget Conference Report Plan to Cut Education Programs Saves Little Compared to Cost of Tax Cuts for Millionaires

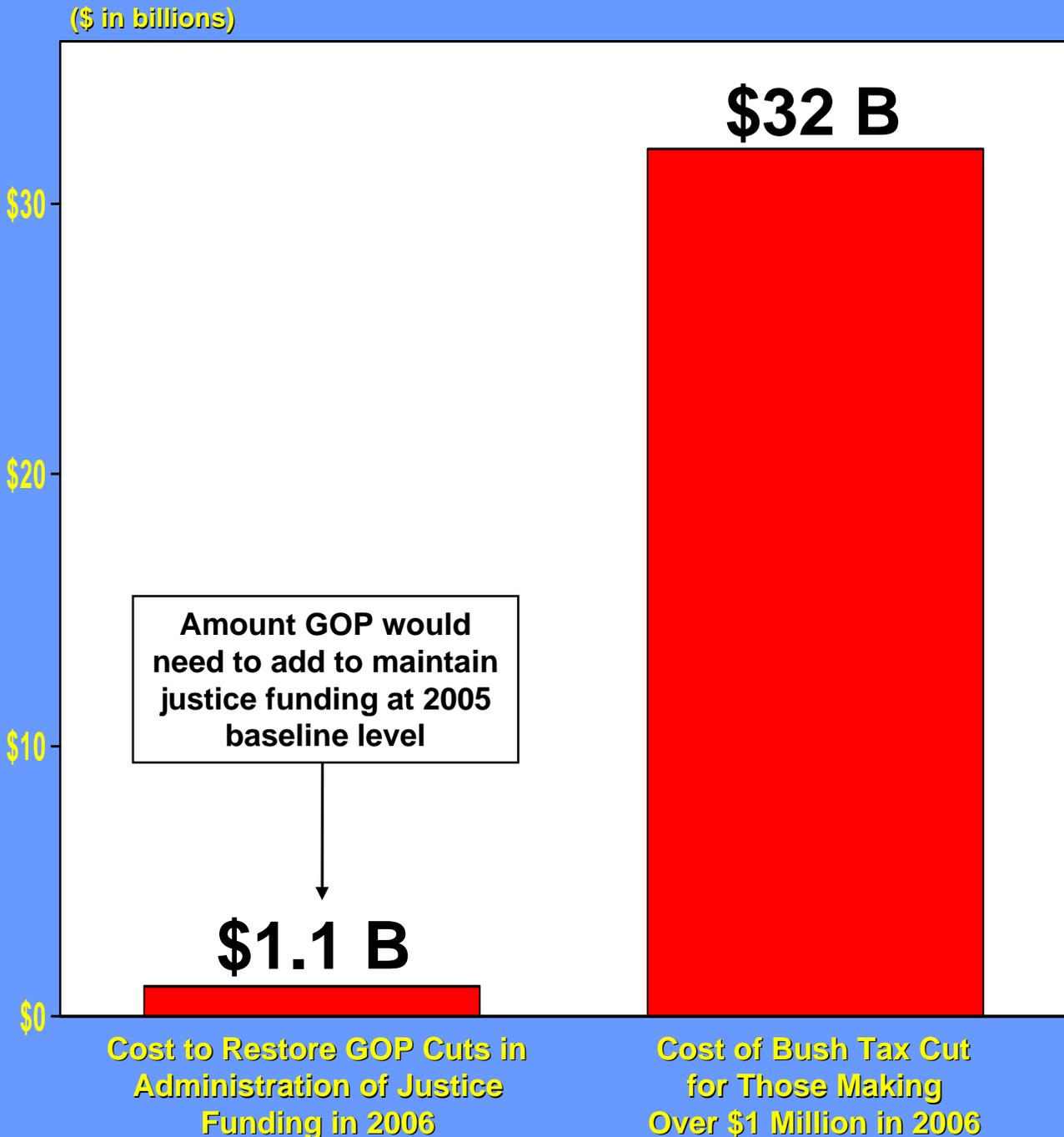


Note: GOP plan proposes to eliminate 48 education programs and significantly reduce funding for others.

Source: CBO, GOP Budget Conference Report, SBC based on Tax Policy Center data

The Wrong Priorities:

GOP Budget Conference Report Plan to Cut Administration of Justice Funding Saves Little Compared to Cost of Tax Cuts for Millionaires



Source: GOP Budget Conference Report, SBC based on Tax Policy Center data, and Citizens for Tax Justice

Note: Compares 2006 funding level in GOP budget conference report with CBO's March 2005 baseline, excluding supplemental funding, for the "Administration of Justice" function.

Federal Reserve Chairman Greenspan on Restoring PAYGO

“...[A] budget framework along the lines of the one that provided significant and effective discipline in the past needs, in my judgment, to be reinstated without delay. I am concerned that, should the enforcement mechanisms governing the budget process not be restored, the resulting lack of clear direction and constructive goals would allow the inbuilt political bias in favor of growing budget deficits to again become entrenched.”

**– Federal Reserve Chairman Alan Greenspan
Prepared Testimony before Senate Banking Committee
February 11, 2003**