FACT SHEET
REBUTTING BUSH ADMINISTRATION CLAIMS ON THE DEFICIT

PREPARED BY: DEMOCRATIC STAFF, SENATE BUDGET COMMITTEE
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Federal Budget Deficit Is Huge By Any Measure

The Bush administration and many Republicans in Congress have been desperately trying to minimize the significance of the nation's plunge back into deficit under their watch. They have repeatedly described the massive deficit we are now experiencing as "moderate and manageable." For example, in President Bush's 2004 Budget, his opening letter claims that "our budget gap is small by historical standards." Joshua Bolten, the President's nominee to be the next Director of the Office of Management and Budget (OMB), repeated that claim this week in written answers to questions from the Senate Government Affairs Committee. He wrote:

> *"Our current deficit – as measured as a percentage of gross domestic product (GDP) – is not large by historical standards and is manageable within the overall context of our economy."*

To use a favorite term of former OMB Director Mitch Daniels, that's "bunk." In fact, the deficit we are now experiencing is huge by any measure.

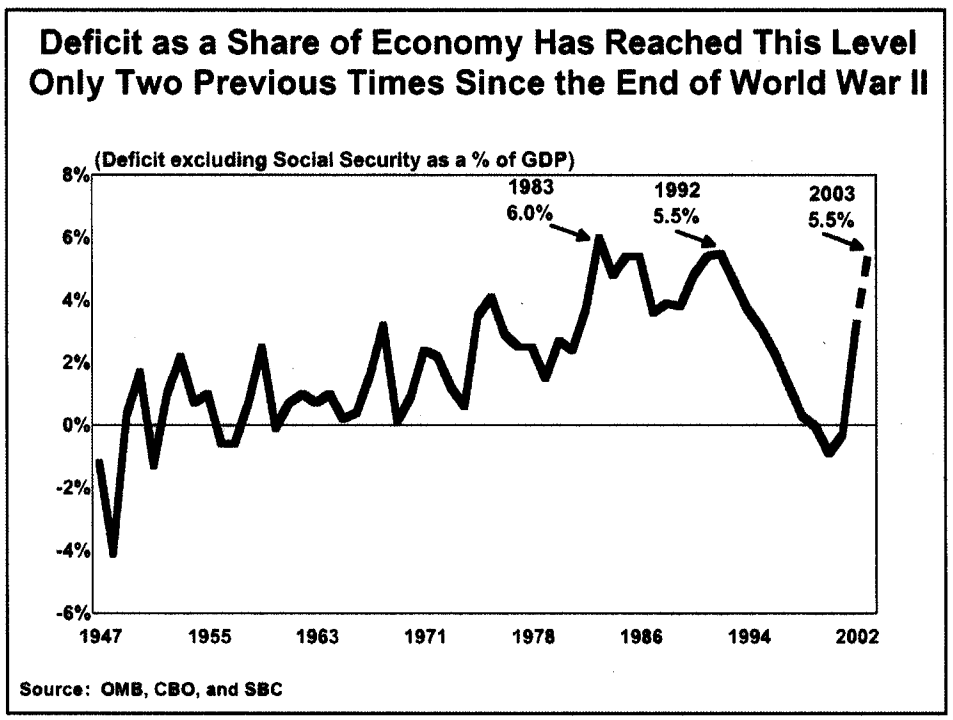
Deficit this year will far exceed previous record in dollar terms
The non-partisan Congressional Budget Office expects this year's deficit to exceed $400 billion. In dollar terms, this deficit would be far larger than the previous record deficit of $290 billion reached during the administration of President Bush's father in 1992.

Deficit is exceptionally high even when measured as a percentage of GDP
As a share of the economy, this year's projected deficit could be more than 4 percent of GDP. If deficits continue at this level, government borrowing will severely crowd out private sector investment, interest rates will rise, and the potential for long-term economic growth will be stifled.

When Social Security is set aside, actual deficit is far worse
The projected $400 billion deficit understates the seriousness of the nation's fiscal woes because it lumps Social Security in with the rest of the budget. This makes the deficit appear to be far lower than it actually is. When Social Security is set aside as it should be, then the actual deficit could approach $600 billion, or 5.5 percent of GDP. In the 57 years since the end of World War II, the on-budget deficit as a percentage of GDP has reached this alarming level only two previous times.

Deficit is approaching crisis level reached during Reagan administration
Using this on-budget measure, the nation's deficit as a percent of GDP is now approaching the 6 percent level reached in 1983, at the peak of the Reagan administration's tax cutting and defense spending binge. This deficit level was regarded as such a fiscal crisis at the time that President Reagan approved a series of subsequent tax increases to slow the nation's plunge into the red.

Notably, there was virtually no Social Security surplus in 1983 to help the Reagan administration mask the fiscal irresponsibility of its budget policies as we are seeing today.



Federal budget deficit is huge by any measure
The Republican argument that this year's deficit will be small when measured as a percentage of GDP and compared to previous years is simply wrong. A more than $400 billion deficit will be a record in nominal terms, and the nearly $600 billion deficit when the Social Security surplus is set aside could be among the worst since World War II when measured as a share of the economy.

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