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HEADLINE: Bush war chest to leave US in red

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* Washington

THE US will run record deficits for the next two years and remain in the red for a further three under a \$US2.23 trillion (\$3.81 trillion) budget plan published by President George W.Bush yesterday.

The White House proposals seek a massive and sustained boost in military spending, accelerated tax cuts and a squeeze on most domestic programs.

Over the next five years the US budget deficits will total \$US1.08 trillion, starting with \$US304 billion this year and \$US307 billion next year. The figures cap a startling turnaround in the health of US finances.

Less than two years ago, budget analysts were forecasting 10-year surpluses of \$US1.35 trillion. Mr Bush blamed the deficits on a recession that started before he arrived in office and "a war we did not choose" that sprang from the September 11 attacks.

He said his budget, which amounts to an overall 4.2 per cent increase, would bring "spending discipline" to major domestic programs such as his proposed overhaul of US health care. But his proposals are set for a bumpy ride through Congress, despite Republican majorities in both houses.

Some Republicans are concerned at the scale of the deficits, and have already expressed opposition to Mr Bush's plan to abolish the tax paid by investors on stock dividends.

Democrats have blamed Mr Bush's two signature tax cuts, an initial \$US1.3 trillion over 10 years, passed in 2001, and his planned \$US674 billion cut, also over 10 years, for fuelling the deficits.

They are warning of higher interest rates, slower growth and imminent trouble for the post-war baby-boom generation about to hit retirement.

Kent Conrad, a Democrat senator from North Dakota, said the latest budget projections showed a nation "dangerously awash in red ink for as far as the eye can see". He said: "Instead of offering the nation a plan for long-term economic prosperity, the **Bush budget** burdens us and our children with trillions of dollars of new debt."

The \$US300-billion-plus deficits are larger than the previous record of \$US290 billion in 1992 under George Bush Sr. But at 3per cent of national output, they are half the deficits

run by Ronald Reagan in the 1980s in real terms.

Defence chiefs have won the lion's share of the new money, with Mr Bush proposing to increase the military budget from \$US365 billion to \$US484 billion by 2009.

This year's \$US15 billion increase would "jump-start" a six-year plan to include annual rises of \$US20 billion until the end of the decade to end years of neglect of the military following the end of the Cold War, according to the White House.

The money is earmarked for elite special operations forces, more unmanned drones, new warships, a boost in military pay and more testing of the President's planned missile defence shield.

The new department for homeland defence, set up after September 11, also is a winner, with a proposed 8 per cent rise in its budget. Mr Bush's figures also include \$US71 million for UNESCO, the first American contribution for 18 years to the UN's educational, scientific and cultural organisation.

LOAD-DATE: February 4, 2003

◀ [prev](#) Document 2 of 500 [next](#) ▶