

The Big Picture May Seem Rosy, but the Deficit Is in the Details

By EDMUND L. ANDREWS
and DAVID E. ROSENBAUM

Published: February 8, 2005

WASHINGTON, Feb. 7 - The large tables in President Bush's new budget show he intends to keep his promise of slicing the federal deficit in half by the end of his term, but the fine print indicates that the goal may be elusive.

The budget is notable for including limits on spending that are unlikely to be enacted and for excluding expenses that are sure to be incurred. Here are the most important points:

¶It assumes that all discretionary spending outside of military and domestic security - everything from paperclips to space shuttles - will be frozen for the next five years.

Advertisement

¶It includes no spending for the war in Iraq and Afghanistan in 2006. Those costs are now running about \$5 billion a month and are likely to continue at some level in the 2006 fiscal year and beyond.

¶It omits the initial cost of Mr. Bush's Social Security plan, which would let people divert some of their payroll taxes to private saving accounts. Administration officials estimate the plan would cost \$23 billion in 2009 and \$754 billion over the next decade.

¶It leaves out the cost of reining in the Alternative Minimum Tax, a tax that was created to affect the nation's wealthiest taxpayers but is now ensnaring millions of moderate-income families as incomes rise with inflation.

"It's a very unrealistic budget for a document that is supposed to reflect the president's policies," said Robert L. Bixby, executive director of the Concord Coalition, a bipartisan organization that lobbies for deficit reduction.

In his message to Congress, Mr. Bush promised to hold "federal programs to a firm test of accountability" and take "the steps necessary to achieve our deficit reduction goals."

The budget envisions the annual deficit shrinking to \$233 billion from \$427 billion by 2009. As a share of the national economy, a measure economists consider more meaningful, the deficit would decline from 3.6 percent to 1.5 percent, meeting the president's goal of cutting the deficit in half.



Doug Mills/The New York Times


Copies of the president's budget proposal were passed out on Capitol Hill on Monday.

ARTICLE TOOLS

-  [Printer-Friendly Format](#)
-  [Most E-Mailed Articles](#)
-  [Reprints & Permissions](#)
-  [Single-Page Format](#)

[Full Text: Bush's Budget Proposal](#)

MULTIMEDIA

-  [Graphic: With Deficit Forecasts, It Depends What You Include](#)

Most E-Mailed

1. [Op-Ed Columnist: Spearing the Beast](#)
2. [Some Bush Foes Vote Yet Again, With Their Feet: Canada or Bust](#)
3. ['French Women Don't Get Fat': Like Champagne for Chocolate](#)
4. [For the Worst of Us, the Diagnosis May Be 'Evil'](#)

But even with all the expensive omissions and problematic spending cuts, many of which Congress rejected last year, Mr. Bush's goal of deficit reduction has already slipped further into the future.

One year ago, when he first pledged to cut the deficit in half by the 2009 fiscal year, the White House predicted that the budget deficit would decline to \$364 billion in 2005 and \$268 billion in 2006.

Now, the White House is predicting that the budget deficit will rise to \$427 billion in 2005, the current fiscal year, and decline to only \$390 billion in 2006.

Many people who follow budgets closely doubt much deficit reduction is in the offing. Speaking especially about the proposed freeze in most domestic programs, Stanley E. Collender, who writes an impartial annual guide to the federal budget, said, "It is unrealistic to expect Congress to march in lockstep and accept the president's proposals." Mr. Collender said he expected the deficit to be "in the \$400 billion range for the rest of the decade."

By any measure, the new budget is austere. It calls for deep cuts next year in almost every category of domestic spending outside the mandatory entitlement programs like Social Security and Medicare, which are based on laws adopted in previous years.

Analyses show that preventing these programs from rising with the rate of inflation and population growth over the next five years would amount to a 16 percent cut, or \$65 billion out of \$391 billion now being spent.

After adjusting for inflation and including federal salary increases already approved for next year, the vast majority of domestic programs would experience real cuts for the second year in a row, a development that has not happened under modern budget procedures.

Over the past four decades, spending for domestic discretionary programs has declined in only four years - in the first budget year under President Richard M. Nixon, at the beginning of President Ronald Reagan's first and second terms and one year under President Bill Clinton. Each time, spending climbed again the next year.

Mr. Bush's Republican allies in Congress are already chafing about proposed cuts to farm subsidies, education programs, veterans' benefits and community development block grants.

Moreover, while projecting aggregate spending reductions, the budget does not spell out which specific programs would be cut after 2006.

5. [Essay: When Is a Doctor Too Old? Or Too Young?](#)

[Go to Complete List](#)



Travel
nytimes.com/travel

Pick a dream destination

Explore more than 200 World Destination Guides

[Caribbean](#) | [Paris](#) | [NYC](#) | [More Destinations](#)

Continued

[Subscribe Today: Home Delivery of The Times from \\$2.90/wk.](#)

1 | 2 | [Next>>](#)

RELATED ARTICLES

- [President Offers Budget Proposal With Broad Cuts](#) (February 8, 2005)
- [Bush Is Said to Seek Sharp Cuts in Subsidy Payments to Farmers](#) (February 6, 2005)
- [Administration Seeks to End Loan Program](#) (February 5, 2005)
- [Bush Budget Calls for Cuts in Health Services](#) (February 5, 2005)
- [THE IRAQI ELECTION: TROOPS; Bush to Seek Rise in Benefits for Survivors of Those Killed in War](#) (February 1, 2005) \$

Find more results for [Budgets and Budgeting](#) and [Bush, George W](#)

TOP WASHINGTON ARTICLES

- [Republicans Raise Possibility of Bush Veto to Pass Budget](#)
- [The President: Bush Says He Has Listened to Concerns on Spending](#)
- [Timetable May Be First Fight in Overhaul of Social Security](#)
- [Top Bush Strategist Adds Another Big Hat](#)

Go to [Washington](#)

OUR ADVERTISERS

[Diversify your portfolio with QQQ® from NASDAQ.](#)

[30 free trades at Ameritrade. Join now.](#)

TIMES NEWS TRACKER

| Topics | Alerts |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Budgets and Budgeting | |
| Bush, George W | |
| Washington (DC) | |
| Track news that interests you. | |
| › Create Your Own | › Manage |
| › Most Popular Alerts | › Take a Tour |
| CLICK HERE TO SUBSCRIBE  | |