

# White House Deficit Outlook Worsening

By Alan Fram

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WASHINGTON — President Bush's budget chief said Wednesday that the White House envisions federal deficits in the \$200 billion to \$300 billion range over the next two years, a dramatic worsening of the government's fiscal picture since last summer.

Budget director Mitchell Daniels also refused to say when federal surpluses would return, commenting only, "Stand by."

Daniels provided no precise figures, saying only he expected shortfalls over the next two years to be in the range of 2 percent to 3 percent of the size of the economy. The nation's economy — the total value of the goods and services produced annually — is estimated at about \$10.5 trillion.

The acknowledgment of the bleaker fiscal prospects was sure to fire the partisan budget fight between the Bush administration and Democrats, who have accused Bush of ignoring revived federal deficits and even fueling them by proposing new tax cuts.

In remarks to the U.S. Chamber of Commerce and later to reporters, Daniels downplayed the near-term shortfalls, which stand to surpass the record \$290 billion in red ink that occurred when the first President Bush was held office in 1992.

He said deficits of 2 percent to 3 percent of the nation's economy would be manageable. Compared to the size of the economy — which many economists consider the best way to measure the country's ability to afford them — the shortfalls peaked at 6 percent in 1983 and remained in the 4 percent and 5 percent range in much of the 1980s and 1990s.

"We ought not hyperventilate about this issue," he said.

In July, the White House projected deficits of \$109 billion this year and \$48 billion in 2004. It also predicted that surpluses would return as early as 2005.

Daniels blamed the worsened fiscal picture on a continued collapse of federal revenue collections, reflecting the weak economy and financial markets.

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