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TOP NEWS

White House Budget Director Steps Down

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By Adam Entous

WASHINGTON (Reuters) - White House budget director Mitch Daniels, dubbed "the Blade" by President Bush for his budget-cutting zeal, announced his resignation on Tuesday, completing a reshuffling of the administration's economic team.

As head of the Office of Management and Budget since January 2001, Daniels oversaw a federal budget that went from surpluses to record deficits. His tenure was also marked by pitched battles with both Republicans and Democrats over the administration's tax and spending priorities.

No reason was given for his departure, although administration officials said Daniels was considering running for governor in Indiana in 2004.

"Mitch Daniels did this morning inform the president that he will be leaving the White House in 30 days. The president tremendously appreciates Mitch's service to the nation," White House spokesman Ari Fleischer told reporters.

"It's too soon to speculate about successors," Fleischer added.

While Bush referred to him fondly as "the Blade," Daniels was derided as "Little Caesar" by U.S. Sen. Robert Byrd of West Virginia, the top Democrat on the Senate Appropriations Committee.

"He's always meddling. Not only that, he's always lecturing the Congress," Byrd said last year. "I hope the president will step in and stop ... that big mouth down there from constantly insisting on having his way. I'm tired of it."

Daniels also drew fire from Republicans, including Sen. Ted Stevens of Alaska, chairman of the Senate Appropriations Committee, who once accused the budget office of using "Enron-type" accounting tricks.

Democrats blame Bush's tax cuts for turning budget surpluses into a deficit expected to reach \$370 billion this fiscal year alone, surpassing a 1992 record of \$290 billion in dollar terms.

Over the next five years, the White House expects the budget shortfall to add up to more than \$1.08 trillion, an about-face from 2001 government forecasts for 10-year budget surpluses totaling \$5.6 trillion.

Daniels' supporters say he made tough budget decisions during the toughest of times -- marked by a recession, the jolt of the Sept. 11 attacks, the cost of wars in Afghanistan and Iraq, and increased spending for homeland security.

When viewed in proportion to the size of the economy, the White House points out, deficits in Bush's budget would still remain well below the record level of 6 percent of gross domestic product during the Reagan administration in 1983.

Daniels' departure follows the resignation earlier this year of Glenn Hubbard, chairman of the White House Council of Economic Advisers.

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