

Search:

[NYTimes.com](#) > [Washington](#)

## Dizzying Dive to Red Ink Poses Stark Choices for Washington

By DAVID FIRESTONE

**W**ASHINGTON, Sept. 13 — When President Bush informed the nation last Sunday night that remaining in Iraq next year will cost another \$87 billion, many of those who will actually pay that bill were unable to watch. They had already been put to bed by their parents.

Administration officials acknowledged the next day that every dollar of that cost will be borrowed, a loan that economists say will be repaid by the next generation of taxpayers and the generation after that. The \$166 billion cost of the work so far in Iraq and Afghanistan, which has stunned many in Washington, will be added to what was already the largest budget deficit the nation has ever known.

With a force that has surprised even critics of the administration, the Iraqi occupation has pushed to the forefront a budget deficit that had previously existed mostly as an abstract red stain on Democratic bar charts. With no extra money available for the foreseeable future, real choices are being illuminated on Capitol Hill — choices between electronic bombs and electrical grids, between low taxes now and lower retirement payments later.

Advertisement

Should Washington reconstruct Iraq's schools and hospitals, lawmakers are asking, or America's? Should it pay for more than 100,000 American troops to stay in Iraq, or for 40 million seniors to be offered prescription drugs through Medicare? And if it tries to do it all, should it keep cutting taxes?

The Bush administration says it can do all of the above, once the tax cuts inaugurate a burst of economic growth. Democrats and virtually every mainstream economist say that something will have to give, very possibly the government's retirement promises to millions of aging baby boomers.

These questions have emerged as the most fundamental political issue dividing the two parties, affecting almost every vote on Capitol Hill and every speech in the current presidential campaign. The deficit, once confined to Congressional committee rooms and Washington research organizations, has become a constant refrain among all the Democratic candidates, who use it to attack the administration's tax cuts and financial stewardship. (None, however, have proposed a cutback in spending or a serious rethinking of big-ticket entitlement programs.)

The bleak choices now facing politicians and policy makers were hard to imagine when George W. Bush was inaugurated just 32 months ago, before the drastic turnabout of the federal budget. As the decade opened, the overheated economy of the 1990's had left the government with a flush of cash that seemed never-ending. There were 281 billion extra dollars in the budget that year, and the Bush administration, looking a decade ahead, predicted that a cumulative \$5.6 trillion surplus would build up by 2011.



Stephen Crowley/The New York Times  
Joshua Bolten, the White House budget director, said concern about the deficit was secondary to reviving the economy: "If there was ever a time to run deficits, this is it."

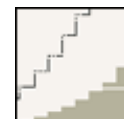
### ARTICLE TOOLS

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

ARTICLE TOOLS  
SPONSORED BY

STARBUCKS.COM

### MULTIMEDIA



[Graphic: Changing Fortunes](#)



[Graphic: Seeking to Explain a Budget Reversal](#)

It seemed to be the brink of a golden era for Washington, "an unprecedented moment in history," in the words of the administration's first budget plan, issued a month after Mr. Bush was inaugurated. He vowed that almost all the national debt would be paid off and that retirement and health plans would be strengthened for the future by setting aside trillions in savings. Balanced budgets, so long in arriving, seemed to promise an end to wasteful interest payments and years of arguments pitting military spending against domestic programs.

And then, within months, the glittering promises crumbled. The budget was upended by what economists now say were three independent forces gathering in power at once: a steep economic decline, a political consensus to slash taxes and the effects of the 2001 terrorist attacks. The surplus disappeared, replaced the next year with a budget deficit that has since grown to a record size. The \$5.6 trillion surplus once predicted for the 10 years ending in 2011 is now a \$2.3 trillion cumulative deficit under the best-case prediction issued by the Congressional Budget Office two weeks ago.

The \$8 trillion difference between those numbers has little precedent in American history. The long-term budget forecast has declined as much in the last two years as the total revenue collected by the United States government from 1789 to 1983.

### A Fall Worthy of Milton

"It really has been a Miltonian experience, from the heights to the depths," said Robert D. Reischauer, a former director of the Congressional Budget Office, invoking "Paradise Lost" as a metaphor for the budget's fall.

**Continued**

1 | [2](#) | [3](#) | [4](#) | [Next >>](#)

[Expect the World](#) every morning with home delivery of The New York Times newspaper.

[Get The Times for as little as \\$2.90 a week.](#)


#### RELATED ARTICLES

- [World Business Briefing | Europe: France: Banker Supports Euro Rules](#) (September 4, 2003)
- [Just East of the West, Unity Has Its Costs](#) (September 2, 2003) **\$**
- [France Defends Its Flouting Of Europe's Rules on Deficits](#) (August 28, 2003) **\$**
- [Schwarzenegger Tries to Add Some Substance to Celebrity](#) (August 21, 2003) **\$**
- [Oregon, in Crisis, Finally Balances Budget](#) (August 21, 2003) **\$**

Find more results for [Budgets and Budgeting](#) and [Economic Conditions and Trends](#) .

#### TOP WASHINGTON ARTICLES

- [Dizzying Dive to Red Ink Poses Stark Choices for Washington](#)
- [Domestic Security: Bush Seeks to Expand Access to Private Data](#)
- [Political Memo: Democrats in Congress Ponder Dean](#)
- [Rewritten Citizenship Oath Will Get Another Revision](#)
- [Clinton Aims Barbs at Bush at Gathering for Hopefuls](#)

TIMES NEWS TRACKER	
Topics	Alerts
<a href="#">Budgets and Budgeting</a>	
<a href="#">Economic Conditions and Trends</a>	
<a href="#">Recession and Depression</a>	
<a href="#">Federal Taxes (US)</a>	
<a href="#">Create Your Own</a>	<a href="#">Manage</a>
<a href="#">Most Popular Alerts</a>	<a href="#">Take a Tour</a>
<a href="#">CLICK HERE TO SUBSCRIBE </a>	

#### Advertiser Links

[Buy Stocks for just \\$4 No minimums](#)

[\\$7 Trades, No Fee IRAs](#)