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Passing It Along

By PAUL KRUGMAN

Here's another sentence in George Bush's State of the Union address that wasn't true: "We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents and other generations."

Mr. Bush's officials profess to see nothing wrong with the explosion of the national debt on their watch, even though they now project an astonishing \$455 billion budget deficit this year and \$475 billion next year. But even the usual apologists (well, some of them) are starting to acknowledge the administration's irresponsibility. Will they also face up to its dishonesty? It has been obvious all along, if you were willing to see it, that the administration's claims to fiscal responsibility have rested on thoroughly cooked books.

The numbers tell the tale. In its first budget, released in April 2001, the administration projected a budget surplus of \$334 billion for this year. More tellingly, in its second budget, released in February 2002 — that is, after the administration knew about the recession and Sept. 11 — it projected a deficit of only \$80 billion this year, and an almost balanced budget next year. Just six months ago, it was projecting deficits of about \$300 billion this year and next.

There's no mystery about why the administration's budget projections have borne so little resemblance to reality: realistic budget numbers would have undermined the case for tax cuts. So budget analysts were pressured to high-ball estimates of future revenues and low-ball estimates of future expenditures. Any resemblance to the way the threat from Iraq was exaggerated is no coincidence at all.

And just as some people argue that the war was justified even though it was sold on false pretenses, some say that the biggest budget deficit in history is justified even though the administration got us here with cooked numbers.

Some point out that Ronald Reagan ran even bigger deficits as a share of G.D.P. But they hope people won't remember that in the face of those deficits, Mr. Reagan raised taxes, reversing part of his initial tax cut.

Furthermore, this time huge deficits have emerged just a few years before the baby boomers start retiring and placing huge demands on Social Security and Medicare. The Social Security system is running a surplus right now, in preparation for future demands; the rest of the federal government is paying one-third of its expenses with borrowed money. That's a record.

But haven't administration officials said they'll cut the deficit in half by 2008? Yeah, right. I could explain in detail why that claim is nonsense, but in any case, why bother with what these people say? Remember, just 18 months ago they said they'd more or less balance the budget by 2004. Unpoliticized projections show a budget deficit of at least \$300 billion a year as far as the eye can see.

The last defense of the budget deficit is that it helps a depressed economy — to which the answer is "yes, but." Yes, deficit spending stimulates demand — but tax cuts for the rich, which have dominated the administration's economic program, generate very little employment bang for the deficit buck. Of the 2.6 million jobs the economy has lost under the Bush administration, 2 million have been lost since the 2001 tax cut.

And yes, deficits are appropriate as a temporary measure when the economy is depressed — but these deficits aren't temporary (see above).

Still, do deficits matter? Some economists worry, with good reason, about their long-run effect on economic growth. But I worry most about America's fiscal credibility.

You see, a government that has a reputation for sound finance and honest budgets can get away with running temporary deficits; if it lacks such a reputation, it can't. Right now the U.S. government is running deficits bigger, as a share of G.D.P., than those that plunged Argentina into crisis. The reason we don't face a comparable crisis is that markets, extrapolating from our responsible past, trust us to get our house in order.

But Mr. Bush shows no inclination to deal with the budget deficit. On the contrary, his administration continues to fudge the numbers and push for ever more tax cuts. Eventually, markets will notice. And tarnished credibility, along with a much-increased debt, is a problem that Mr. Bush will pass along to other Congresses, other presidents and other generations.