

www.nytimes.com

The New York Times
ON THE WEB

January 23, 2002

Smaller Federal Surpluses Projected

By THE ASSOCIATED PRESS

Filed at 10:49 a.m. ET

WASHINGTON (AP) -- Projected federal surpluses over the next decade have plunged 71 percent from last year's estimates and annual deficits are back for the next two years, says a new congressional forecast that heralds a budget squeeze sure to color this fall's elections.

The nonpartisan Congressional Budget Office estimated on Wednesday a 10-year surplus of \$1.6 trillion, a staggering \$4 trillion less than the \$5.6 trillion the office estimated only a year ago. Both projections by CBO, Congress' official budget analyst, are for 2002 through 2011, and assume no changes in current tax or spending programs.

Further dramatizing the worsening fiscal pressures faced by President Bush and Congress, CBO is now projecting one-year deficits of \$21 billion this year and \$14 billion in fiscal 2003, which starts Oct. 1. The government ran annual surpluses for four straight years beginning in 1998.

Just last year, the budget office envisioned surpluses of \$313 billion this year and \$359 billion in 2003. The new projections, if accurate, would mark one of the steepest budgetary downslides ever.

The fiscal nosedive has been prompted mostly by the recession, the cost of the \$1.35 trillion, 10-year tax cut Bush muscled through Congress last spring, and the price tag of the war on terrorism. This year the recession is the key reason for the worsening numbers, but the tax cut's costs are the biggest single factor over the entire decade.

At a Senate Budget Committee hearing, both parties used the figures to make political points certain to echo through this November's voting for control of Congress. Democrats pointed their fingers at Bush's budget of last year, which called for the tax cut, defense increases and debt reduction.

“The president told us and told the American people that we could have it all,” said the budget panel chairman, Sen. Kent Conrad, D-N.D. “He was wrong by a country mile.”

The committee's top Republican, Sen. Pete Domenici, R-N.M., said the bleaker budget picture was mostly due to the recession and efforts to strengthen the economy and battle terrorists.

“The choice is to have a deficit and provide money for those priorities, or to try not to have a deficit and thus not accept those priorities,” Domenici said.

Advertisement

TECHNOSCOUT
Your search ends here

TECHNOLOGY UPDATES

[How to make your car invisible to radar and laser](#)

[Natural de-icer means you'll have to shovel less this winter](#)

[Carry 20 GB of data in your shirt pocket](#)

[A floor lamp that spreads sunshine all over a room](#)

[Easily change from TV to VCR to DVD to Video Games with the touch of a button](#)

[Digital camera, webcam and camcorder all in the size of a pen](#)

[It's time to put all of your photos onto your computer](#)

[Time zone to time zone never set your watch again](#)

Click for the complete story

Advertisement

White House spokesman Scott McClellan issued a similar defense.

“The president has repeatedly said that in a time of war, recession and a national emergency, that we need to focus on those priorities,” McClellan said.

In its report, CBO cautioned that because of the unpredictable economy and likely future tax and spending changes, “considerable uncertainty surrounds those projections.”

Democrats have complained that the shrunken surpluses won't leave enough for priorities like defense, education and honoring a pledge by lawmakers of both parties to use the part of the surplus generated by Social Security and Medicare for debt reduction or to overhaul those programs.

Indeed, the CBO report projected that surpluses from those programs for the elderly and disabled would be used to help pay for other federal programs -- and not for debt reduction -- until 2010.

Republicans say the best way to help revive the economy is to resist some Democrats who want to block parts of last year's tax cut from taking effect in future years.

Bush plans to send Congress a \$2 trillion budget for 2003 on Feb. 4. Congressional and administration sources have said it will project deficits of about \$100 billion this year and \$80 billion in 2003 -- assuming that Bush proposals for anti-recession tax cuts and extra spending for defense and homeland security are enacted.

CBO also projected a \$2.26 trillion surplus for the decade running through 2012.

Though the projected \$1.6 trillion surplus is a huge number, surpluses don't appear until there is \$54 billion in black ink in 2004.

In addition, only \$416 billion of the \$1.6 trillion total -- 26 percent -- will occur through 2007, effectively leaving little excess money available for either party's initiatives through most of a two-term Bush presidency.

The \$1.6 trillion projection is also artificially high because it assumes that last year's tax cut will expire as scheduled after 2010. Lawmakers are considered unlikely to let that happen.

CBO toned down its forecast for economic growth for 2002 to 0.8 percent, from a 3.4 percent forecast made last January. But it envisions healthy 4.1 percent growth next year, and an average 3.3 percent annual growth for 2004 through 2007.

“In CBO's opinion, the most likely path for the economy is a mild recession that may already have reached its nadir,” the report said.