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ADMINISTRATION'S NEW DEFICIT PROJECTIONS ARE CAUSE FOR CONCERN, NOT CELEBRATION

The Office of Management and Budget's presentation of its new deficit projections constitutes a triumph of spin over substance, as the Administration attempts to present a worsening budget picture as an improving one. While the Administration claims the new projections show that its economic policies are working, the facts tell quite a different story.

- **The deficit is growing, not shrinking.**

The deficit for fiscal year 2003 was \$375 billion. According to OMB's new projection, the deficit will grow to \$445 billion in fiscal year 2004, an increase of \$70 billion.

From Large Surpluses To Large Deficits, 2000-2004	
FY 2000	\$236 billion surplus
FY 2001	\$127 billion surplus
FY 2002	\$158 billion deficit
FY 2003	\$375 billion deficit
FY 2004 (proj.)	\$445 billion deficit

The new projection is \$76 billion lower than the deficit projection the Administration made for 2004 this February. But it is \$138 billion *higher* than the deficit projection the Administration made for 2004 when it submitted its 2004 budget in February 2003.

Moreover, the main reason that today's projection is lower than this February's projection is that this February's projection was inflated, perhaps deliberately. As the Center reported at the time (<http://www.cbpp.org/2-2-04bud2.htm>), that projection was \$43 billion higher than the estimate the Congressional Budget Office had issued the previous week, even though there already was evidence at the time that the CBO estimate was likely to be too high.

History appears to be repeating itself. Last year, the Administration projected a much larger 2003 deficit than CBO and other analysts did, and when the actual deficit turned out to be below the Administration's inflated estimate, the White House trumpeted the "drop" in the deficit as a sign that its economic policies were working. The same thing has happened this year.

- **The new deficit forecast is *not* evidence that economic growth has been stronger than expected and that this growth is due to the success of Administration policies.**

Indeed, economic growth has been *no* stronger than anticipated. Over the first three quarters of fiscal year 2004, economic growth is merely in line with the forecast

contained in the Administration's budget in February, as well as the CBO forecast issued last winter.

- **The Administration is *not* on course to cut the deficit in half by 2009.**

The Administration says its policies will cut the deficit in half between 2004 and 2009. But the budget figures that claim to prove this are "cooked": they omit major costs for future years, such as the cost of continuing relief from the Alternative Minimum Tax (something the Administration has made clear it favors).

- **The current large deficits are the result *not* of unusually high spending, but instead of unusually low revenues.**

Some conservative activists have blamed the deficit on out-of-control spending and discounted the role played by the Administration's tax cuts. The new OMB figures contradict this claim. They show that spending is not particularly high by historical standards; as a share of the economy, it is below its average level of the past four decades.

By contrast, revenues *are* at historically low levels. The OMB figures show that revenues will fall this year to their lowest level, measured as a share of the economy, since 1959 — a time when Medicare, most environmental programs, and most federal aid to education didn't yet exist.

Other Administration data show that the Administration's tax cuts account for more than half (57 percent) of the budget deterioration since January 2001 that has been caused by new legislation. (Outside factors such as the economic slowdown have played a large role in the budget deterioration as well, of course.) CBO data show similar findings.