

REPUBLICAN DEFICITS AND DEBT

Threaten Our Nation's Security and Future

"I'm sitting here, and I'm upset about the deficit, and I'm upset about spending. There's no way I can pin that on the Democrats. Republicans own the town now."

- Former House Republican Majority Leader Dick Armey, in the Wall Street Journal (1/30/2004)



"The Administration lies about budget numbers."

- Former Reagan and Bush I Administration economist Bruce Bartlett, at the CATO Institute (3/7/2006)

1. RECORD-SETTING REPUBLICAN DEFICITS



President Bush: "We can proceed with tax relief without fear of budget deficits, even if the economy softens. Projections for the surplus in my budget are cautious and conservative." [Remarks, 3/27/2001]



President Bush: "[O]ur budget will run a deficit that will be small and short-term." [BBC, 1/7/03]



House Budget Committee Chairman Jim Nussle (IA): "I don't like deficits. I don't want deficits, and I won't pretend deficits don't matter." [CongressDaily, 3/12/03]



Former House Majority Leader Tom DeLay (TX): "We think deficits do matter. We think we have to balance the budget." [Washington Times, 3/24/97]

THE FACTS

- President Bush and Congressional Republicans have turned a projected 10-year budget surplus of \$5.6 trillion into a projected 10-year deficit of \$4 trillion.
- This has been the most fiscally irresponsible Administration in American history.
- In five years, Republicans have created the four largest budget deficits in American history. [-\$378 billion, -\$412 billion, -\$318 billion, and -\$371 billion (projected)]
- Democrats have provided a budget plan that will bring our budget back to balance within 10 years.

CLINTON: RECORD SURPLUSES

FY94	-203.2 B
FY95	-164.0 B
FY96	-107.5 B
FY97	-21.9 B
FY98	69.2 B
FY99	125.5 B
FY00	236.2 B
FY01	128.2 B

Source: Congressional Budget Office

BUSH: RECORD DEFICITS

FY02	-157.8 B
FY03	-377.6 B
FY04	-412.1 B
FY05	-318 B
*FY06	-\$371 B
*FY07	-\$335 B

Source: Congressional Budget Office
*Projected

VS.

2. EXPLODING REPUBLICAN DEBT THREATENS OUR SECURITY AND OUR FUTURE



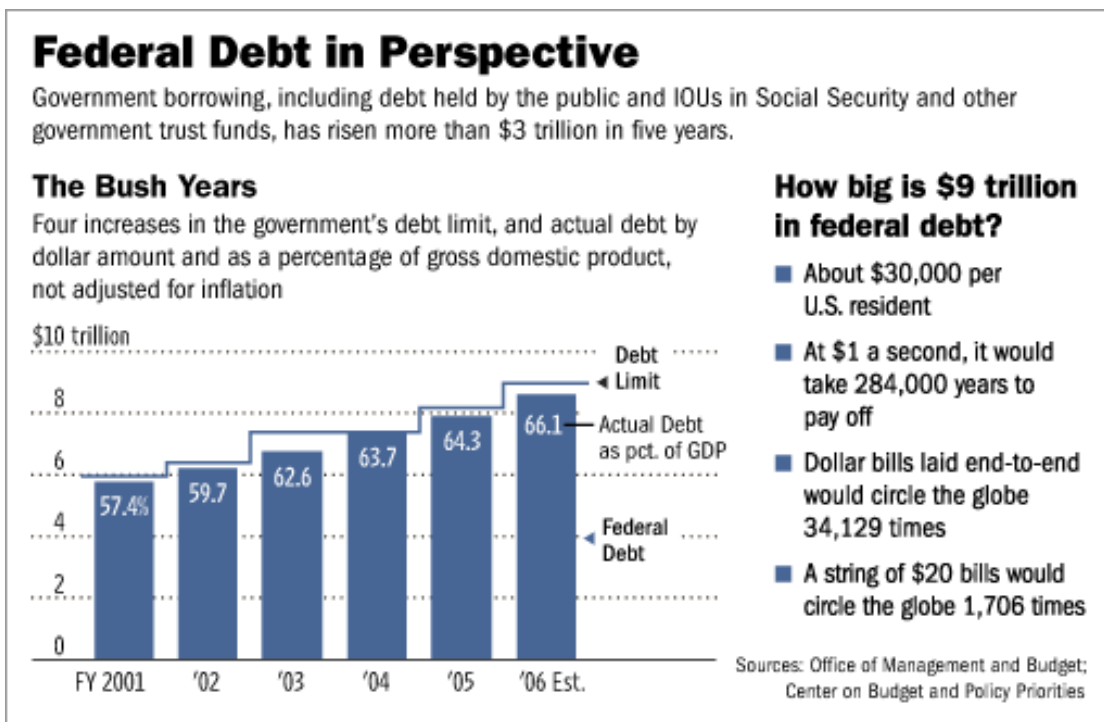
President Bush: "My budget pays down a record amount of debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction in any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren." [Remarks, 3/3/01]



Republican House Budget Committee: "Republicans believe repaying debt is the right thing to do. It's wrong for this generation to saddle future generations with debts." [Statement, 3/13/01]

THE FACTS

- Due to their own fiscal recklessness, Republicans have been forced to increase the debt limit four times in five years (06/2002, \$450 billion; 05/2003 \$984 billion; 11/2004, \$800 billion; and 3/2006, \$781 billion)
- Under President Clinton, the debt limit was raised a total of \$1.8 trillion over 8 years, and there were no debt limit increases from August 1997 until the first Bush debt limit increase in June 2002.
- The Clinton Administration actually paid down the publicly held debt by \$453 billion between 1997 and 2001.



Wall Street Journal, 3/17/06

Prepared by the Office of Democratic Whip Steny Hoyer

3. INTEREST ON THE DEBT IS EXPLODING, AND IS THE FASTEST GROWING PART OF THE BUDGET



Former OMB Director Mitch Daniels: “A principal goal of the President and his budget is dramatic reduction of the national debt.” [AP, 2/28/01]



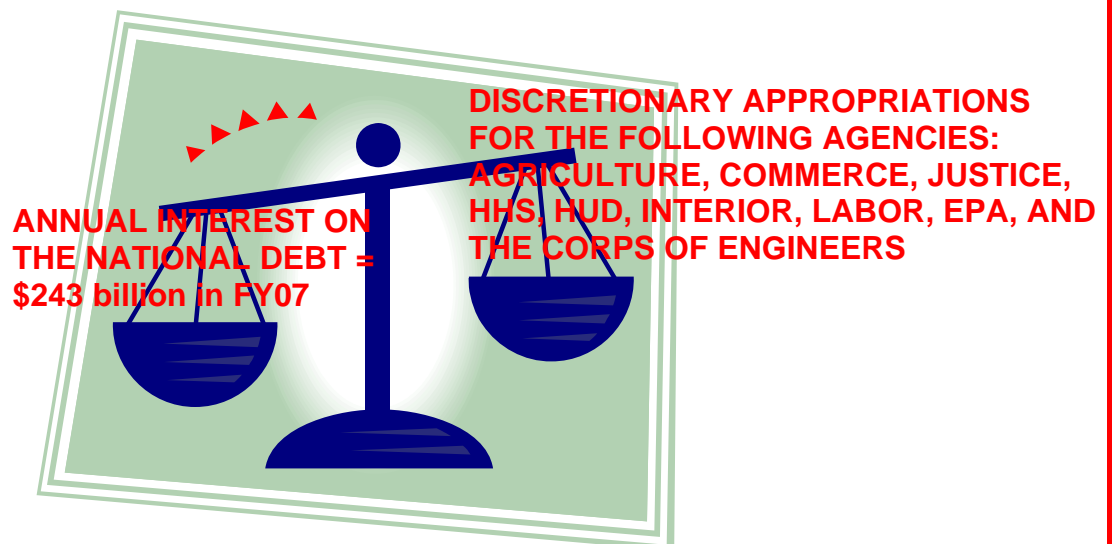
House Budget Committee Chairman Jim Nussle (IA): “We have a solid financial foundation to build on to get us back to balance. In the meantime, we are still paying down the debt and working our way back to surpluses.” [Press Release, 10/30/01]



Former Republican Speaker Newt Gingrich (GA): “Our point is that there is a moral case, there is a practical case, there is a self-interest case for balancing the budget. . . . When you have deficits and you borrow more money, interest payments go up. . . . So balancing the budget ultimately leads to lower taxes through lower interest rates and less payment on the debt, and our hope would be eventually through a balanced budget to actually begin to pay down the national debt.” [Cong. Record, 3/17/1997]

THE FACTS

- Interest payments on the debt have skyrocketed: \$243 billion in FY07 (projected); \$218 billion in FY06 (projected); \$184 billion in FY05; \$160 billion in FY04; and \$153 billion in FY03.
- Interest payments on the national debt over the next decade -- \$3 trillion – are roughly equal to the federal commitment to Medicaid over the next decade.
- The projected interest in FY07 exceeds the discretionary appropriation in every appropriation bill except Defense.
- Annual interest payments on the national debt are now more than \$200B – which exceeds the discretionary appropriation in every appropriations bill except Defense, and which exceeds the COMBINED FY07 total of discretionary spending for the following agencies: Agriculture, Commerce, Justice, HHS, HUD, Interior, Labor, EPA and the Corps of Engineers.



4. REPUBLICAN RAID ON THE SOCIAL SECURITY SURPLUS



President Bush: “The budget I set up says the payroll taxes are only going to be spent on one thing, and that’s Social Security...[A] lockbox I think is the terminology they like to use up here. Rest assured, it’s set aside only for Social Security.” [Remarks, 3/22/01]



Office of Management and Budget: “None of the Social Security surplus will be used to fund other spending initiatives or tax relief.” [A Blueprint for New Beginnings: A Responsible Budget for America’s Priorities, 2/28/02]



House Budget Committee Chairman Jim Nussle (IA): “This Congress will protect 100 percent of the Social Security and Medicare Trust Funds. Period. No speculation. No supposition. No projections.” [Press Release, 7/2/01]

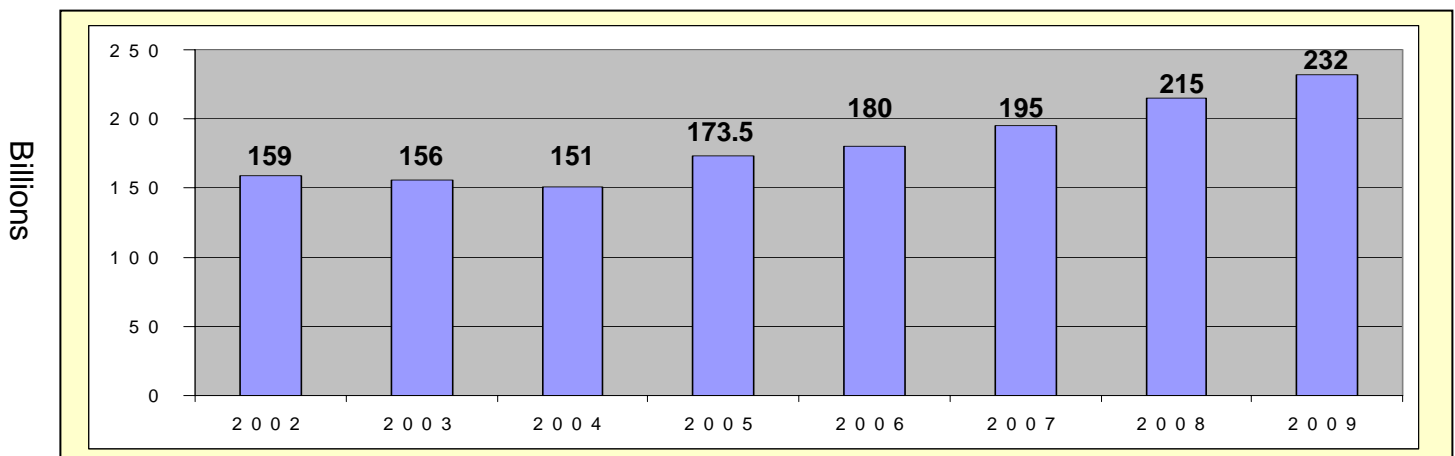


Former House Majority Leader Tom DeLay (TX): “The Republican lockbox legislation locks away the entire Social Security surplus...Today, we are restoring Americans’ faith and confidence in the Social Security system. It’s a promise to current and future generations of retirees: Rest assured, your hard-earned money will be saved for you so that you can enjoy your well-deserved retirement.” [Congressional Record, 5/23/99]

THE FACTS

- Over the last five years, President Bush and Congressional Republicans have spent every single nickel of the Social Security surplus. (\$817 billion, including 2006)
- This raid on the Social Security surplus has occurred even though Republicans have voted seven times since 1999 to protect the Social Security or Medicare surpluses.
- Under Republican budget policies, every nickel of the Social Security surplus will again be spent over the next five years. (\$1.148 trillion from 2007 -2011)
- After spending every nickel of the Social Security surplus, Republicans continue to try to turn Social Security from a guaranteed benefit into a guaranteed gamble.
- Two of President Clinton’s last four budgets balanced without relying on the Social Security surplus at all, 1999 and 2000, and the other two years balanced without using all of the social security surplus in 1998 and 2001.

REPUBLICANS WILL CONTINUE TO SPEND EVERY NICKEL OF THE SOCIAL SECURITY SURPLUS



Prepared by the Office of Democratic Whip Steny Hoyer

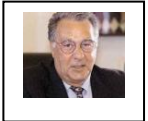
5. SKYROCKETING SPENDING AND EXPLODING EARMARKS



President Bush: “The best way to address the deficit and move toward a balanced budget is to encourage economic growth, and to show some spending discipline in Washington, D.C.” [Remarks, 1/28/03]



Rep. Jeff Flake (R-AZ): “Whether we want to admit it or not, the Republican Congress’s failure to discipline itself is sending us all down a flower-strewn path to financial insolvency.” [Wall Street Journal, 10/20/05]

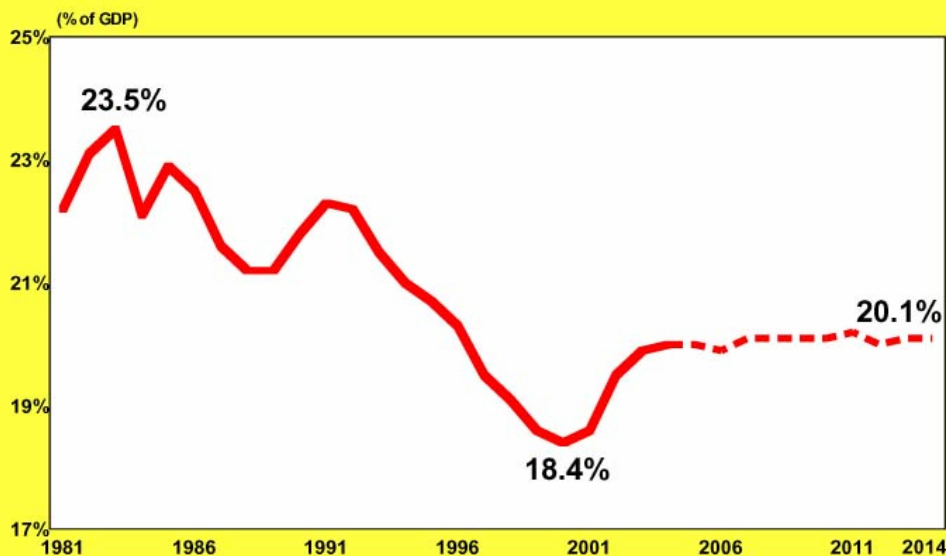


Former House Republican Majority Leader Dick Armey: “I’m sitting here, and I’m upset about the deficit, and I’m upset about spending. There’s no way I can pin that on the Democrats. Republicans own the town now.” [Wall Street Journal, 1/2004]

THE FACTS

- Since they took control in 2001, Republicans increased spending by an average of nearly 7.5% a year, more than double the rate in the last five years of the Clinton-era budgets.
- In his first term in office, Bush presided over the greatest increase in federal spending since the Reagan Administration.
- Since Congress has been under Republican control, earmarks have increased by 873 percent.

Total Federal Spending



Source: OMB historical data and CBO March 2004 baseline.

6. THE BUSH ADMINISTRATION, THE COMPLICIT CONGRESS, AND THE VANISHING VETO

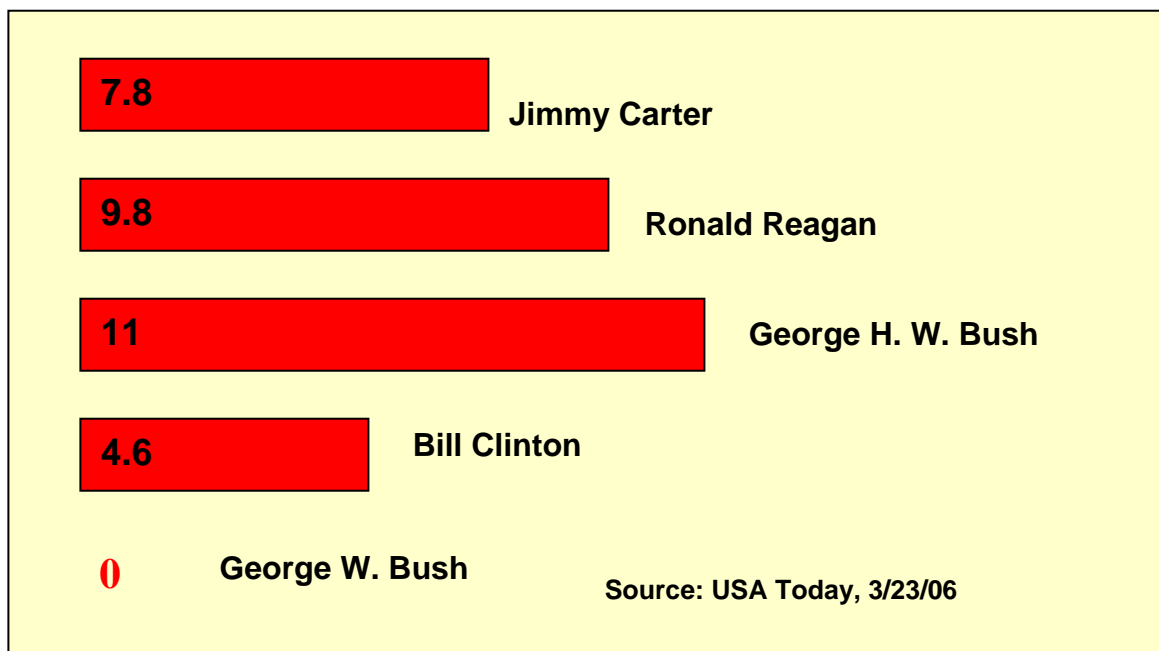


President Bush: "I'm fully prepared to use a veto if they overspend." [Washington Post, 1/27/06]

THE FACTS

- President Bush and the Republican Congress have been partners in creating record deficits since 2001; a total of 1,091 bills have been sent to President Bush – he has signed ALL of them.
- Bush is the longest sitting President since Thomas Jefferson not to exercise the veto.
- Bush offered no rescissions during his first term; when he did so in October 2005 – to partially offset the cost of Hurricane Katrina – he ordered agencies to withhold funds in possible violation of the law.

Recent Presidents' Average Annual Use of the Veto



7. REVENUES AT HISTORIC LOWS HAD NOWHERE TO GO BUT UP



Bruce Bartlett, conservative economist in the Reagan and Bush I Administrations, and author of "Imposter: How George W. Bush Bankrupted America and Betrayed the Reagan Legacy": "I do not see how President Bush's tax cuts can be given any credit for the 'booming' economy. All we have seen is the upturn we get after every recession. In other words, without any tax cut at all, we would be pretty much in the same place economically. The burden of proof is on those who say otherwise and cannot merely be asserted, as my supply-side friends do." [New York Times, 3/6/06]



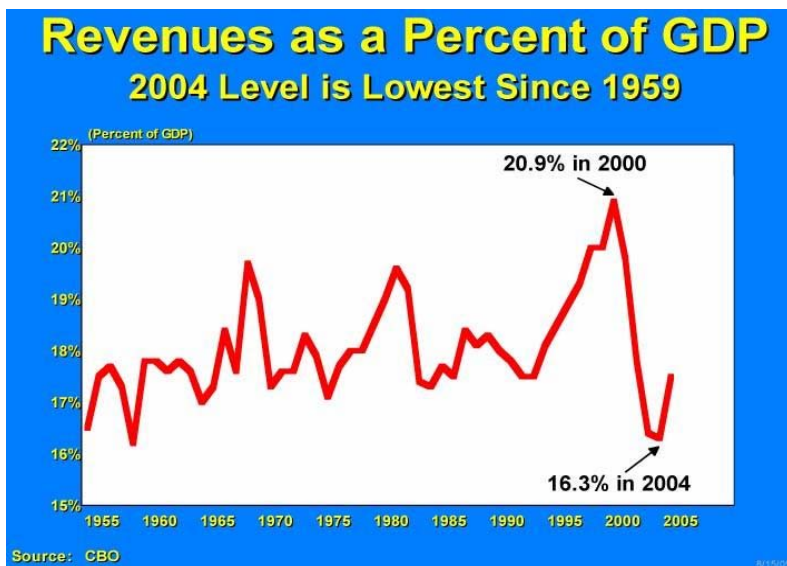
David Walker, Comptroller General of the United States: "Anybody who says you're going to grow your way out of this problem [deficits and debt] would probably not pass math." [USA Today, 11/15/05]



Federal Reserve Chairman Ben Bernanke: "I think it's unusual for a tax cut to completely offset the revenue loss." [Testimony before the Senate Banking Committee 11/2005]

THE FACTS

- Revenues in 2003 were at an all-time historic low in terms of their size relative to GDP.
- Total revenue in FY04 was 16.3% of GDP, the lowest since 1959, and with FY03 (at 16.5%) represent the only two years since 1962 when revenues were below 17% of GDP.
- Over the three years since enactment of the 2003 tax cuts (2003-05), revenues were a combined \$316 billion below levels that had been forecast by the Administration for these years before the tax cuts were adopted. (Center for Budget and Policy Priorities)
- Relative to comparable past periods, the current economic recovery has, on balance, been worse than average.
- For six of seven key indicators, growth rates over the current period are below the average growth rates for the comparable post-war periods. (Center for Budget and Policy Priorities)



8. REPUBLICANS' FLIP-FLOP ON PAYGO



House Budget Committee Chairman Jim Nussle (IA): “With the other body unable to pass even a budget this year, we were obviously unable to reach an agreement on legislation to extend PAYGO and other budget rules. It is my hope that this can be done next year as part of a normal budget process. I would close by reminding our Members and colleagues that the PAYGO rule contributed to the taming of deficits over the past seven years, and it is my hope that a successor to PAYGO can be developed and coupled with caps on discretionary appropriations.” [Congressional Record, 1/14/02]



Former House Majority Leader Tom DeLay (TX): “I rise in support of this legislation [the Balanced Budget Act of 1997] that finally balances our Federal budget. It is about time. I have waited my entire adult life for it.” [Congressional Record, 07/30/97]



Former Federal Reserve Chairman Alan Greenspan: “All I’m saying is that my general view is I like to see the tax burden as low as possible. And in that context, I would like to see tax cuts continued. But, as I indicated earlier, that has got to be, in my judgment, in the context of a PAYGO resolution. [Testimony Before the House Budget Committee, 3/2/05]

THE FACTS

- Democrats strongly support the reinstatement of common-sense “pay-as-you-go” (PAYGO) budget rules that require increases in mandatory spending and decreases in revenue to be offset elsewhere in the budget so that they do not add to deficits.
- PAYGO budget rules were adopted on a bipartisan basis in 1990 and re-enacted in 1997, before Republicans allowed such rules to expire in 2002. PAYGO budget rules are widely credited with producing record budget surpluses in FY1998 through FY2001.
- President Bush and Congressional Republican leaders previously supported PAYGO rules for both spending and taxes, but now oppose the application of such rules to taxes because they would be forced to offset their tax legislation.
- Democrats believe it is imperative to reinstate PAYGO rules to restore fiscal discipline.

Bush’s First Three Budgets Supported PAYGO For Spending And Taxes

“To start the budget on a firm course back toward balance, the President further proposes to extend the Budget Enforcement Act controls [applying PAYGO rules to spending and taxes] that expired in 2002.” [The President’s Budget for FY04 (Page 29)]

“The Administration will work with the Congress during the next session to develop budget enforcement mechanisms, including future discretionary spending limits and a PAYGO requirement for entitlement spending and tax legislation that are consistent with the needs of the country.” [The President’s Budget for FY03 (Page 283)]

“The President also proposes to extend the PAYGO requirement for entitlement spending and tax legislation. The President’s Budget sets aside the Social Security surplus and additional on-budget surpluses for debt reduction and contingencies. These levels ensure the President’s tax plan and his Medicare Helping Hand and modernization reforms are fully financed by the surplus. Any other spending or tax legislation would need to be offset by reductions in spending and increases in receipts.” [The President’s Budget for FY02 (Page 172-173)]

9. INCREASED FOREIGN OWNERSHIP OF THE DEBT



David Walker, Comptroller General of the United States: “Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.” [Testimony Before the Senate Budget Committee, 2/15/06]



Federal Reserve Chairman Ben Bernanke: “[I am] quite concerned about the intermediate to long-term federal budget outlook.” [Letter to Senator Robert Menendez (D-NJ), 3/14/06]

THE FACTS

- Because of the Republican debt, we are borrowing more than \$600,000 a minute, a large portion of which comes from foreign countries, including China and Saudi Arabia.
- The first 42 American presidents borrowed a total of \$1.01 trillion from foreign governments and financial institutions. Yet over the last five years, President Bush has borrowed more than \$1.05 trillion.
- The increased amount of debt held by foreign creditors undermines America’s national security. The United States is more vulnerable to geopolitical pressures in unstable parts of the world.



Source: Senate Budget Committee Democrats

Prepared by the Office of Democratic Whip Steny Hoyer

10. AVERAGE AMERICAN FAMILIES ARE NOT DOING BETTER UNDER REPUBLICAN ECONOMIC POLICIES

AVG. WEEKLY EARNINGS

Bush I: - 1.1%
Clinton: + 0.8%
Bush II: + 0.1%

MEDIAN HOUSEHOLD INCOME

Bush I: - 0.8%
Clinton: + 1.6%
Bush II: - 0.9%

POVERTY

Bush I: + 1.8%
Clinton: - 3.5%
Bush II: + 1.4%

JOBS (Private Sector)

Bush I: + 1.465 mil (30,520/month)
Clinton: +20.798 mil (216,645/month)
Bush II: + 1.215 million (19,597 month)

JOBS (Total Jobs)

Bush I: +2.5 mil
Clinton: +22.7 mil
Bush II: +2.32 million

REAL GDP

Bush I: + 2.1%
Clinton: + 3.6%
Bush II: + 2.6%

Bush I: + 46.6%
 1/20/89: Dow closed at 2,235
Clinton: + 225.2%
 1/21/93: Dow closed at 3,253
Bush II: + 5.97%
 1/22/01: Dow closed at 10,578
 (3/28/06: 11,250.11)

INFLATION

Bush I: + 4.2%
Clinton: + 2.6%
Bush II: + 2.5%

DEFICITS

Bush I: - \$1.04 T
Clinton: + \$62.4 B
Bush II: - \$1.58 T*

*includes FY06 projected deficit

17 YEARS OF DEFICITS UNDER REPUBLICAN PRESIDENTS

Reagan: - \$1.41 T
Bush I: - \$1.04 T
Bush II: - \$1.58 T*

 - \$4.03 T

Clinton: + \$62.4 B

TOTAL DEBT

Bush I: 1989 thru1992:
 Increased \$1.493 T or 55 % to \$4.177 T
Clinton: 1993 thru2000
 Increased \$1.485T or 35% to \$5.662 T
Bush II: 2001 thru 2005
 Increased \$ 2.508 T or 44% to \$8.170 T