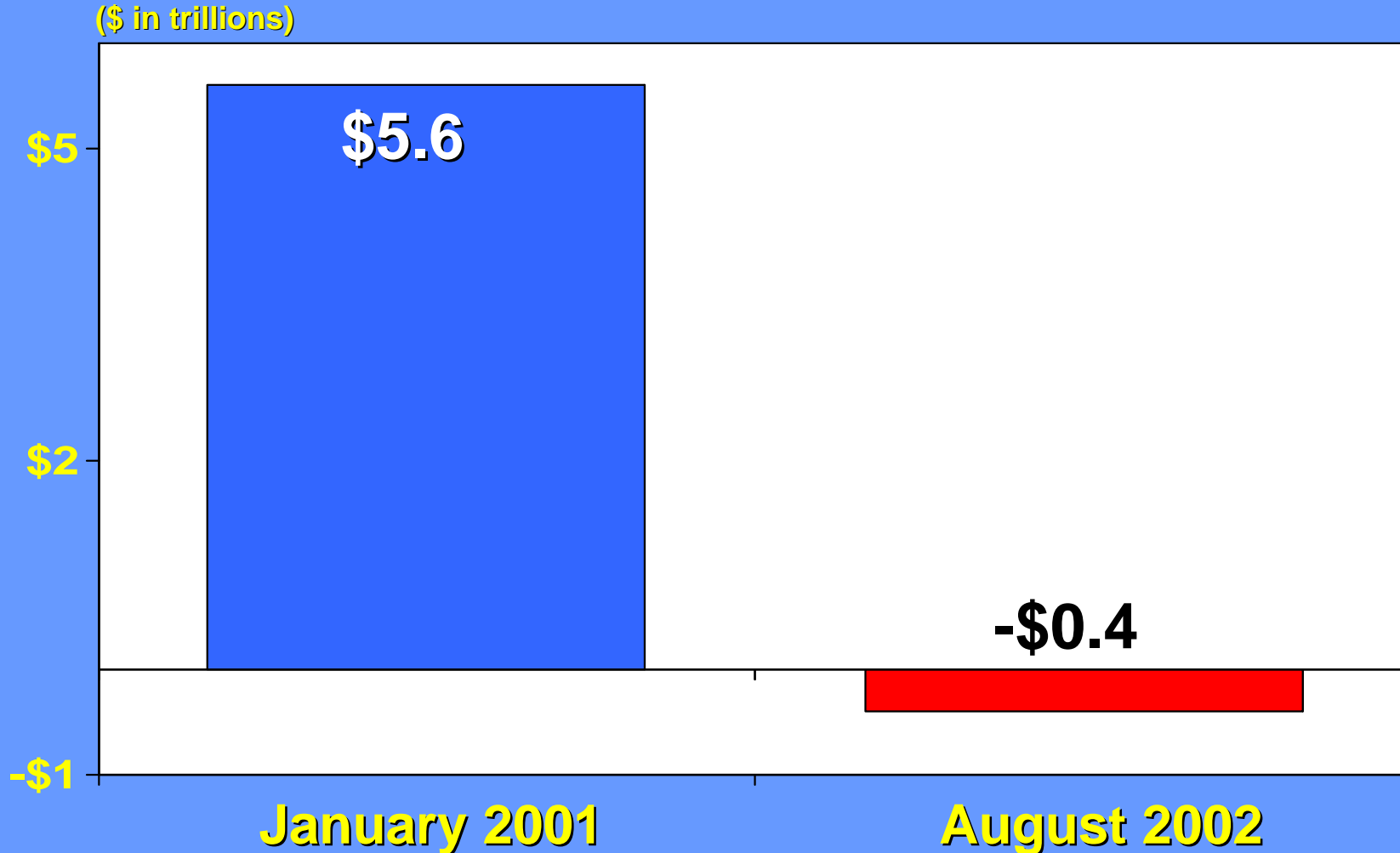


# Unified Surplus Declines by \$6 Trillion in 20 Months with President's Budget Policies (FY 2002-2011)



Source: CBO estimates of January 2001 baseline and SBC estimate of President's budget based on CBO August 2002 baseline estimates and President's proposed policies

## Changes in Baseline Surplus and Deficit Totals January 2001 -- August 2002

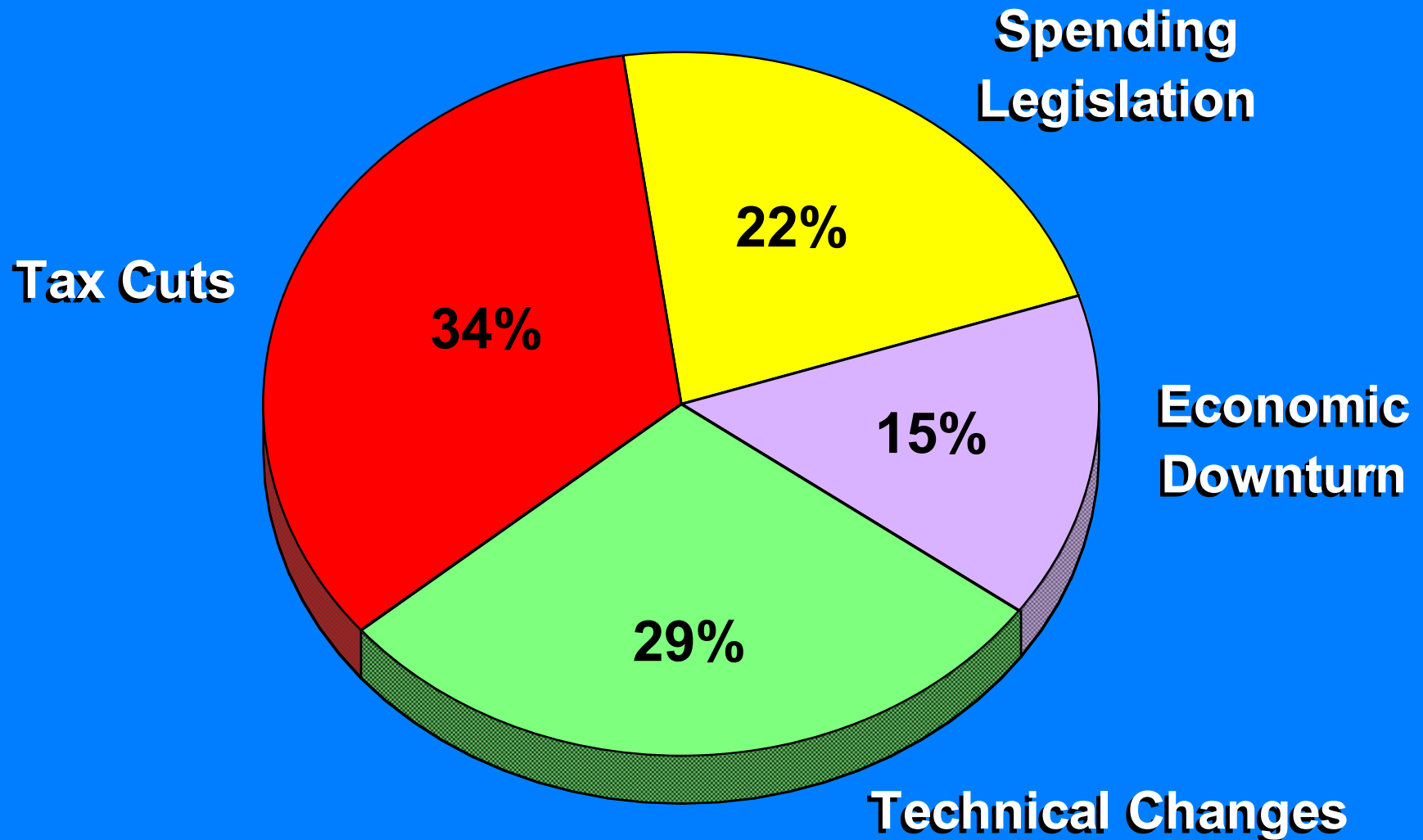
(\$ billions)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-11
<b>Total CBO surplus -- January, 2001</b>	<b>313</b>	<b>359</b>	<b>397</b>	<b>433</b>	<b>505</b>	<b>573</b>	<b>635</b>	<b>710</b>	<b>796</b>	<b>889</b>	<b>5,610</b>
<b>Total CBO surplus/deficit -- March, 2002</b>	<b>5</b>	<b>6</b>	<b>61</b>	<b>111</b>	<b>135</b>	<b>175</b>	<b>213</b>	<b>263</b>	<b>309</b>	<b>454</b>	<b>1,733</b>
<b>Total CBO surplus/deficit -- August, 2002 *</b>	<b>-157</b>	<b>-145</b>	<b>-111</b>	<b>-39</b>	<b>15</b>	<b>52</b>	<b>88</b>	<b>133</b>	<b>177</b>	<b>323</b>	<b>336</b>
<b>Total CBO surplus/deficit with President's Proposed Budget Policies</b>	<b>-157</b>	<b>-159</b>	<b>-138</b>	<b>-76</b>	<b>-44</b>	<b>-23</b>	<b>-2</b>	<b>36</b>	<b>70</b>	<b>108</b>	<b>-386</b>
<b>    Without Social Security</b>	<b>-315</b>	<b>-329</b>	<b>-326</b>	<b>-282</b>	<b>-268</b>	<b>-265</b>	<b>-264</b>	<b>-245</b>	<b>-230</b>	<b>-211</b>	<b>-2,734</b>

Source: CBO estimates of January 2001, March 2002, and August 2002 baselines. SBC estimate of President's budget based on CBO baseline estimates and the President's proposed policies.

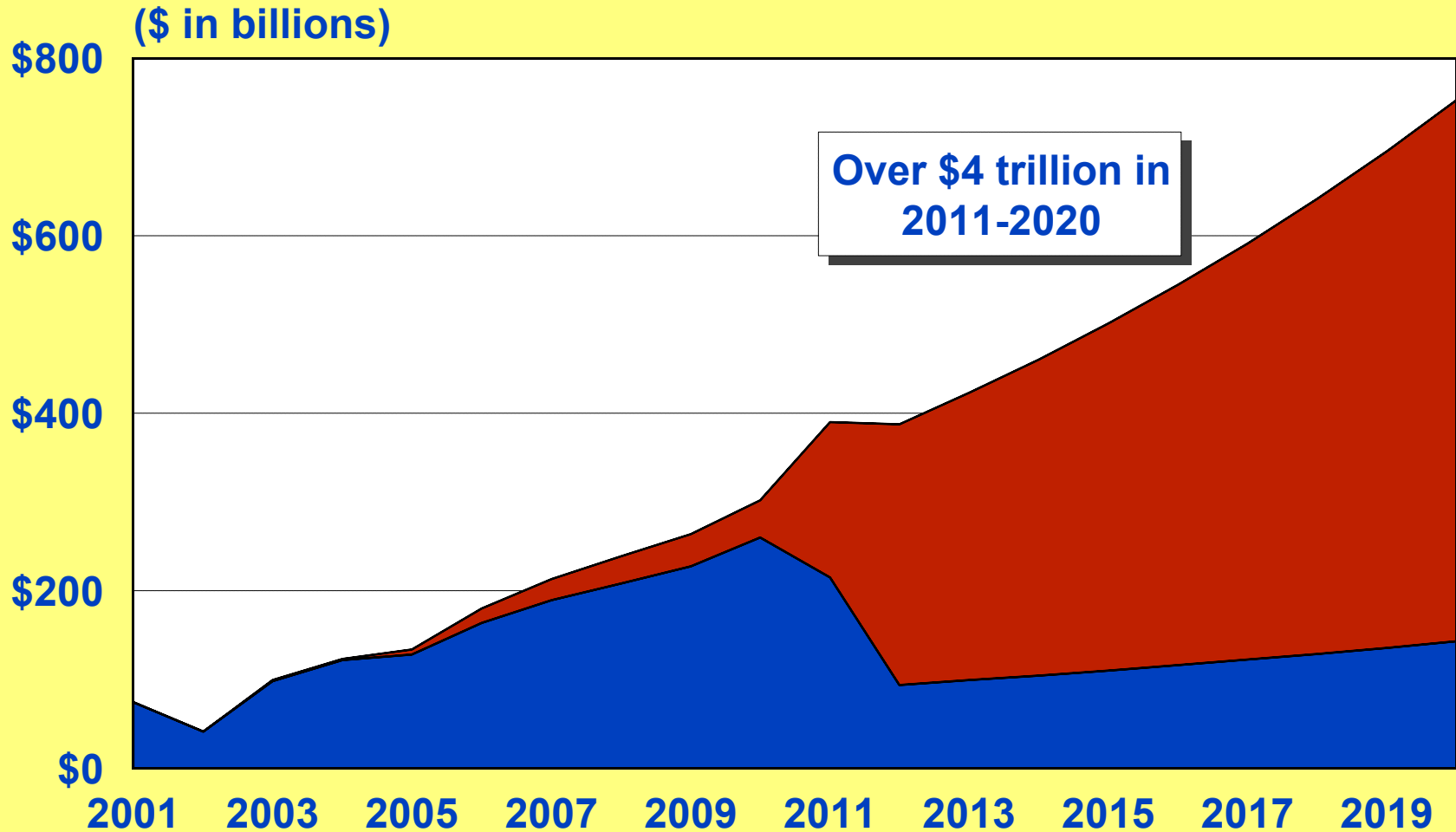
27-Aug

\* The CBO baseline projection assumes no change in current policies governing taxes or entitlement spending and that discretionary appropriations in FY 2003 through FY 2011 will equal the level enacted for FY 2002 (including FY 2002 supplemental appropriations), adjusted for inflation.

# Changes in the Total Budget Surplus FY 2002-11



# Twenty-Year Cost of Bush Tax Proposals



Source: Center on Budget and Policy Priorities

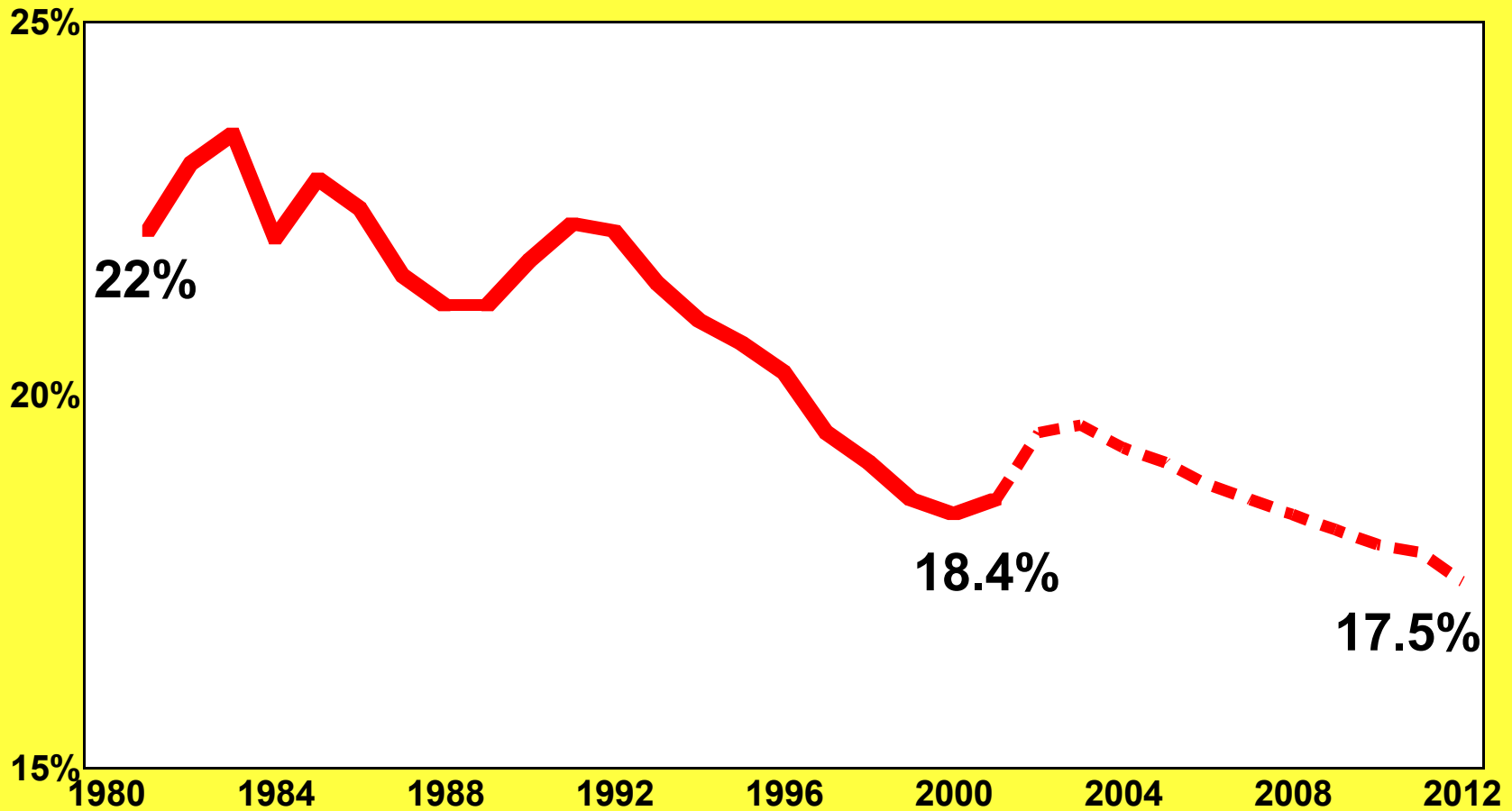
# The Senate Budget Plan

- **Makes available all resources requested by the President for defense and homeland security**
- **Pays down as much as \$500 billion more debt than the President's budget**
- **Contains a circuit breaker to put the nation back on a path to balance without counting Social Security within five years**

# **Bipartisan Budget Agreement Offered in June**

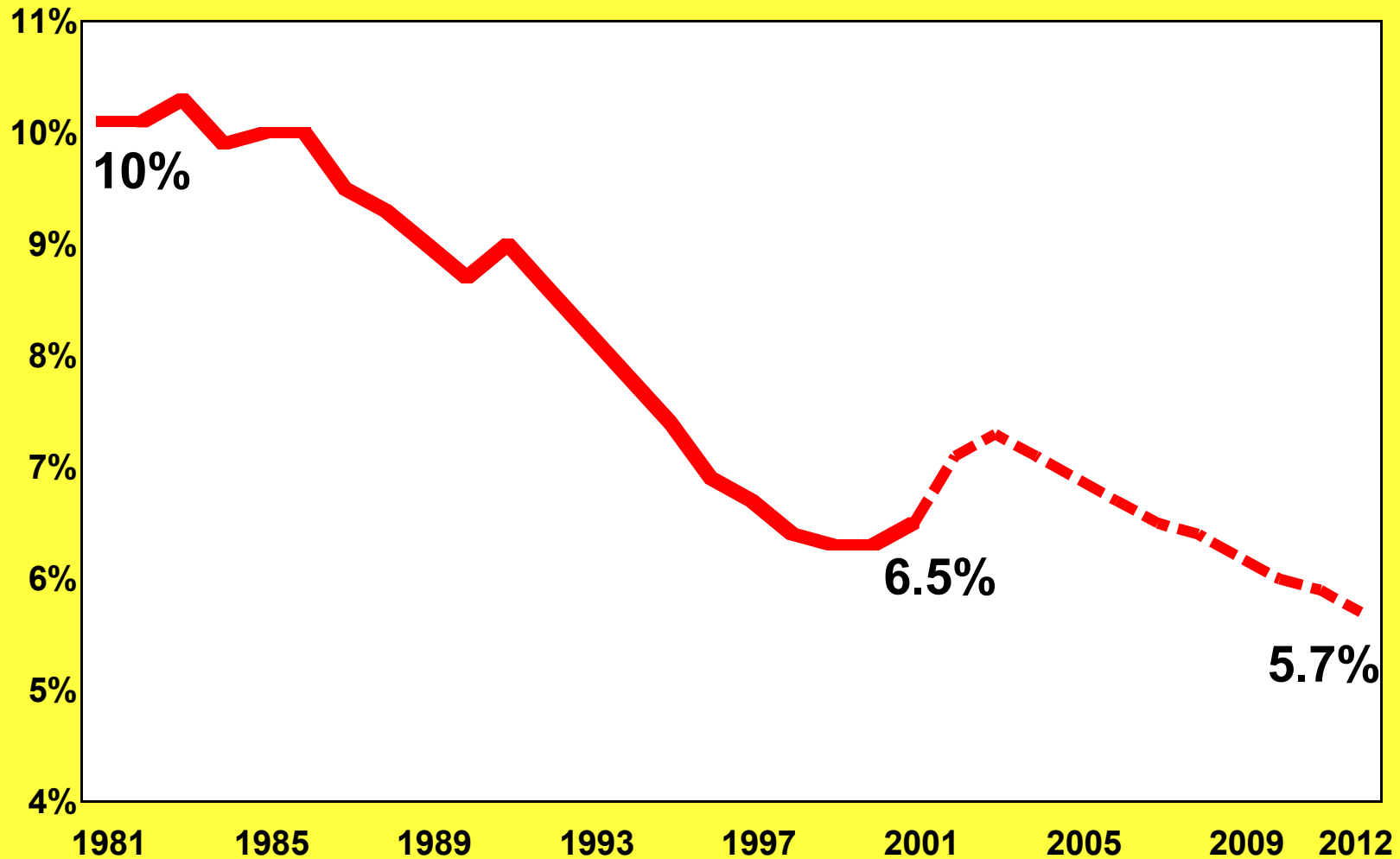
- **Set realistic discretionary spending caps for 2003 and 2004**
- **Extend 60 vote budget points of order for five years**
- **Extend pay-as-you-go rule for five years**

# Total Federal Spending (As Percent of GDP, FY 1980-2012)



Source: CBO

# Discretionary Spending (As Percent of GDP, FY 1981-2012)



Source: CBO



# THE WALL STREET JOURNAL.

© 2002 Dow Jones & Company. All Rights Reserved

MONDAY, SEPTEMBER 16, 2002 - VOL. CCXL NO. 54 - ★★★★★ \$1.00

## Bush Economic Aide Says Cost Of Iraq War May Top \$100 Billion

By **BOB DAVIS**

WASHINGTON—President Bush's chief economic adviser estimates that the U.S. may have to spend between \$100 billion and \$200 billion to wage a war in Iraq, but doubts that the hostilities would push the nation into recession or a sustained period of inflation.

Lawrence Lindsey, head of the White House's National Economic Council, projected the "upper bound" of war costs at between 1% and 2% of U.S. gross domestic product. With the U.S. GDP at about \$10 trillion per year, that translates into a one-time cost of \$100 billion to \$200 billion. That is considerably higher than a preliminary, private Pentagon estimate of about \$50 billion.

In an interview in his White House office, Mr. Lindsey dismissed the economic consequences of such spending, saying it wouldn't have an appreciable effect on interest rates or add much to the federal debt, which is already about \$3.6 trillion. "One year" of additional spending? he said. "That's nothing."

At the same time, he doubted that the additional spending would give the economy much of a lift. "Government spending tends not to be that stimulative," he said. "Building weapons and expending them isn't the basis of sustained economic growth."

Administration officials have been unwilling to talk about the specific costs of a war, preferring to discuss the removal of Mr. Hussein in foreign-policy or even moral terms. Discussing the economics of the war could make it seem as if the U.S. were going to war over oil. That could sap support domestically and abroad, espe-

cially in the Mideast where critics suspect the U.S. of wanting to seize Arab oil fields.

Mr. Lindsey, who didn't provide a detailed analysis of the costs, drew an analogy between the potential war expenditures with an investment in the removal of a threat to the economy. "It's hard for me to see how we have sustained economic growth in a world where terrorists with weapons of mass destruction are running around," he said. If you weigh the cost of the war against the removal of a "huge drag on global economic growth for a fore-

seeable time in the future, there's no comparison."

Other administration economists say that their main fear is that an Iraq war could lead to a sustained spike in prices. The past four recessions have been preceded by the price of oil jumping to higher than \$30 a barrel, according to BCA Re-

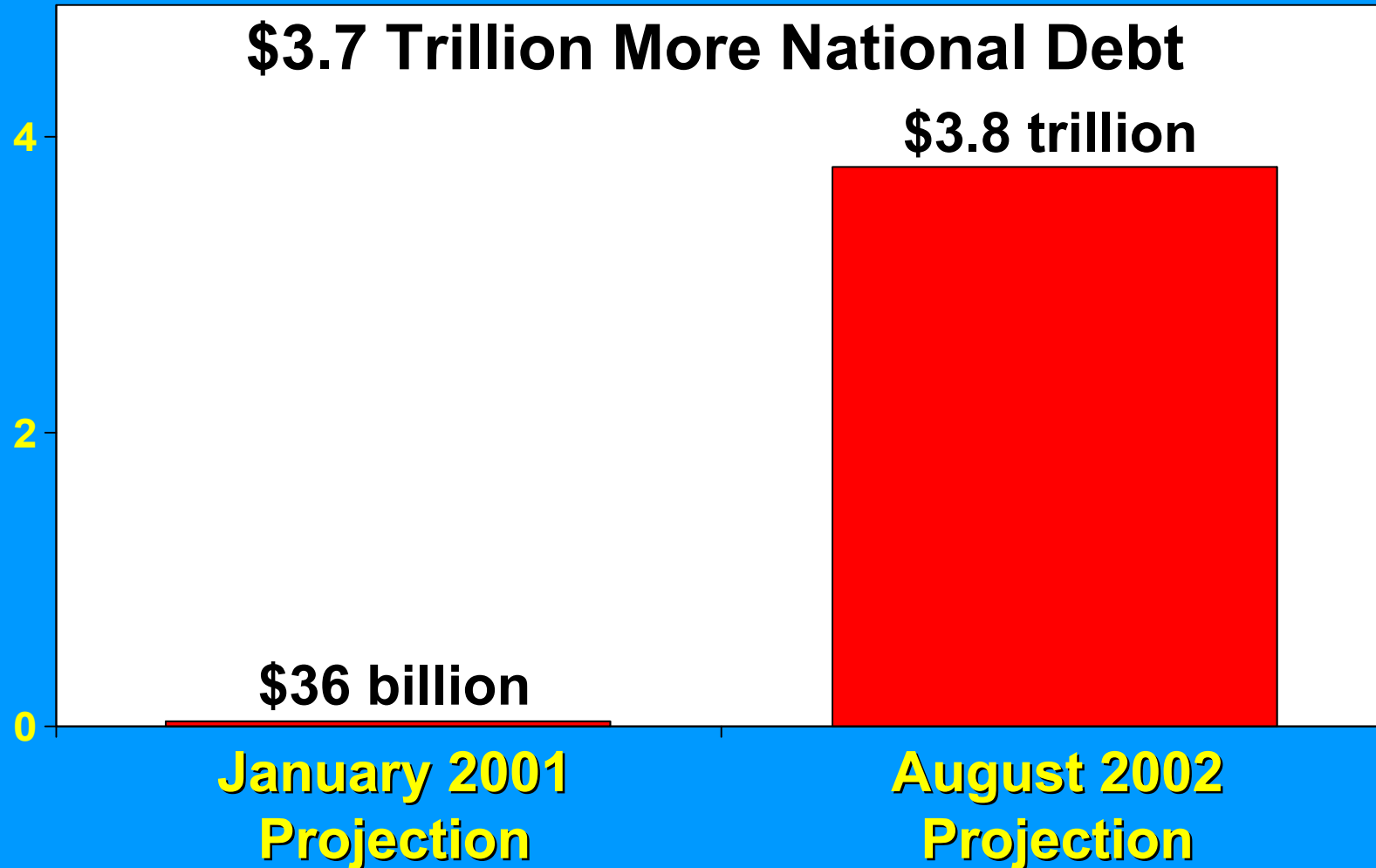


*Lawrence Lindsey*

search.com in Montreal. But the White House believes that removing Iraqi oil from production during a war—which would likely lead to a short-term rise in prices—would be insufficient to tip the economy into recession. What is worrisome, economists say, is if the war widens and another large Middle East supplier stops selling to the U.S., either because of an Iraqi attack or out of solidarity with Saddam Hussein's regime.

Mr. Lindsey said that Mr. Hussein's  
*Please Turn to Page A8, Column 6*

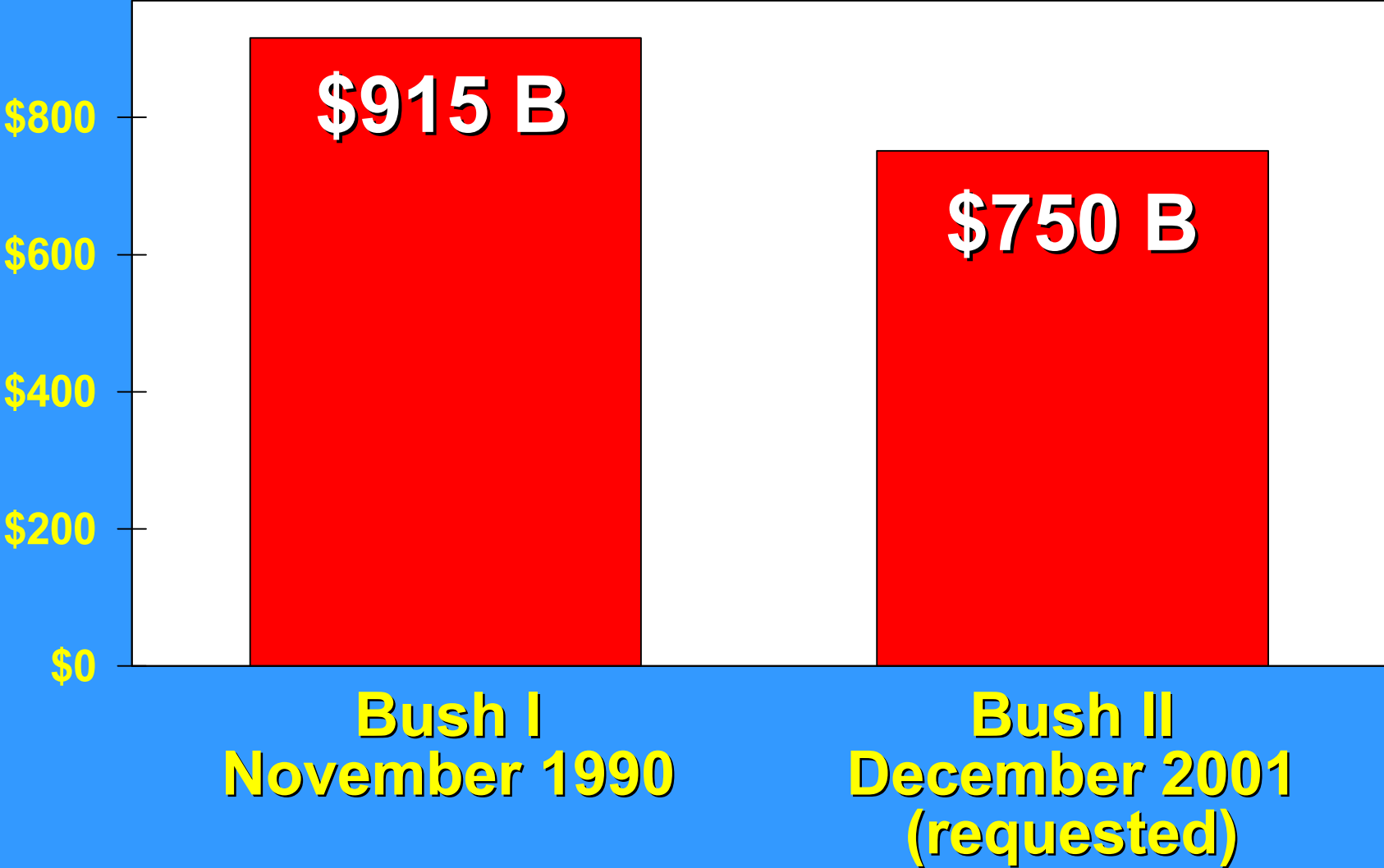
# Bush Economic Record: Debt Held by the Public in 2008



Source: Congressional Budget Office. Projection of total net Federal debt held by the public, end of FY 2008.

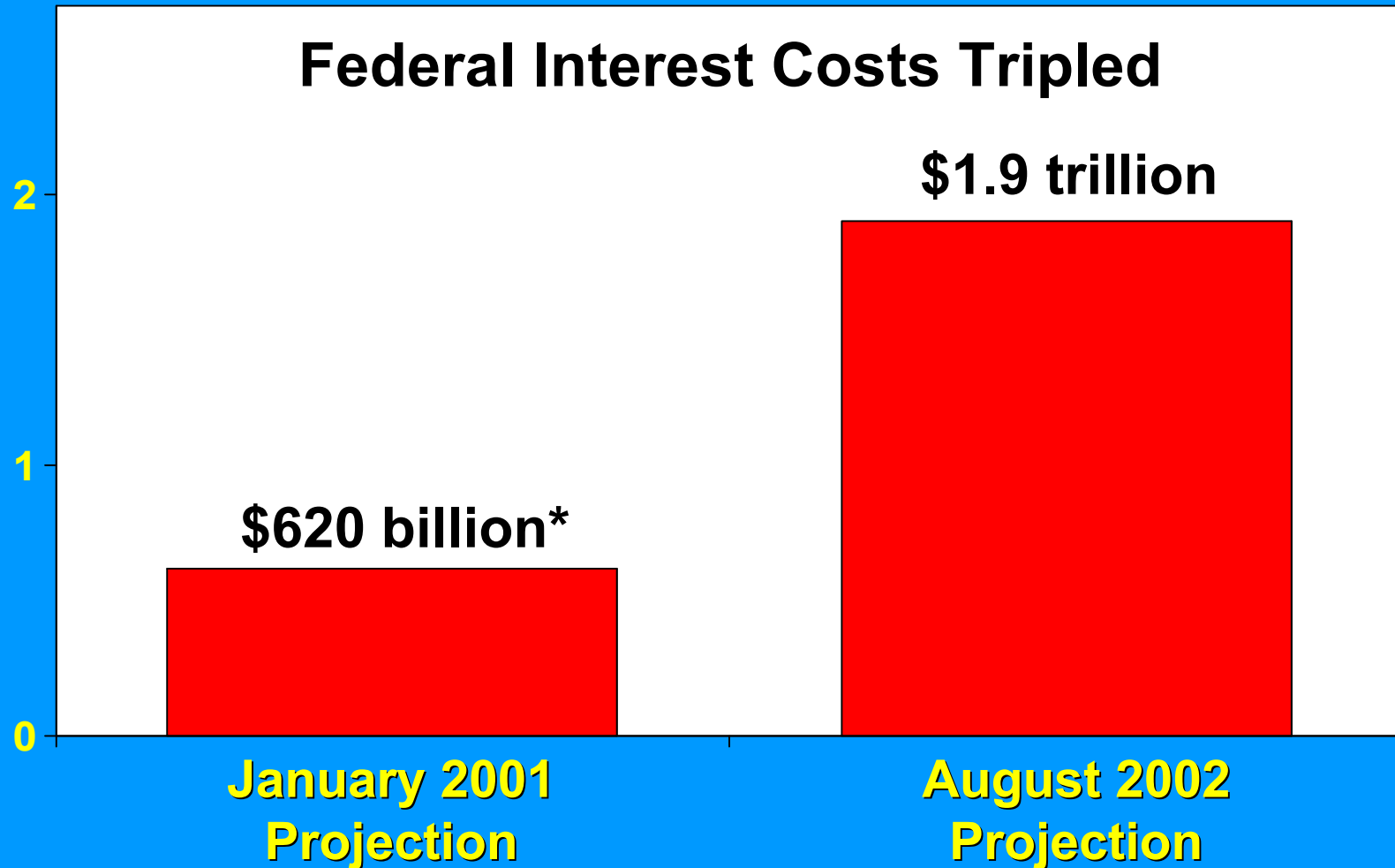
# Largest Increases in Debt Limit

(\$ in billions)



# Bush Economic Record:

Total Projected Federal Net Interest Spending, FYs 2002-2011

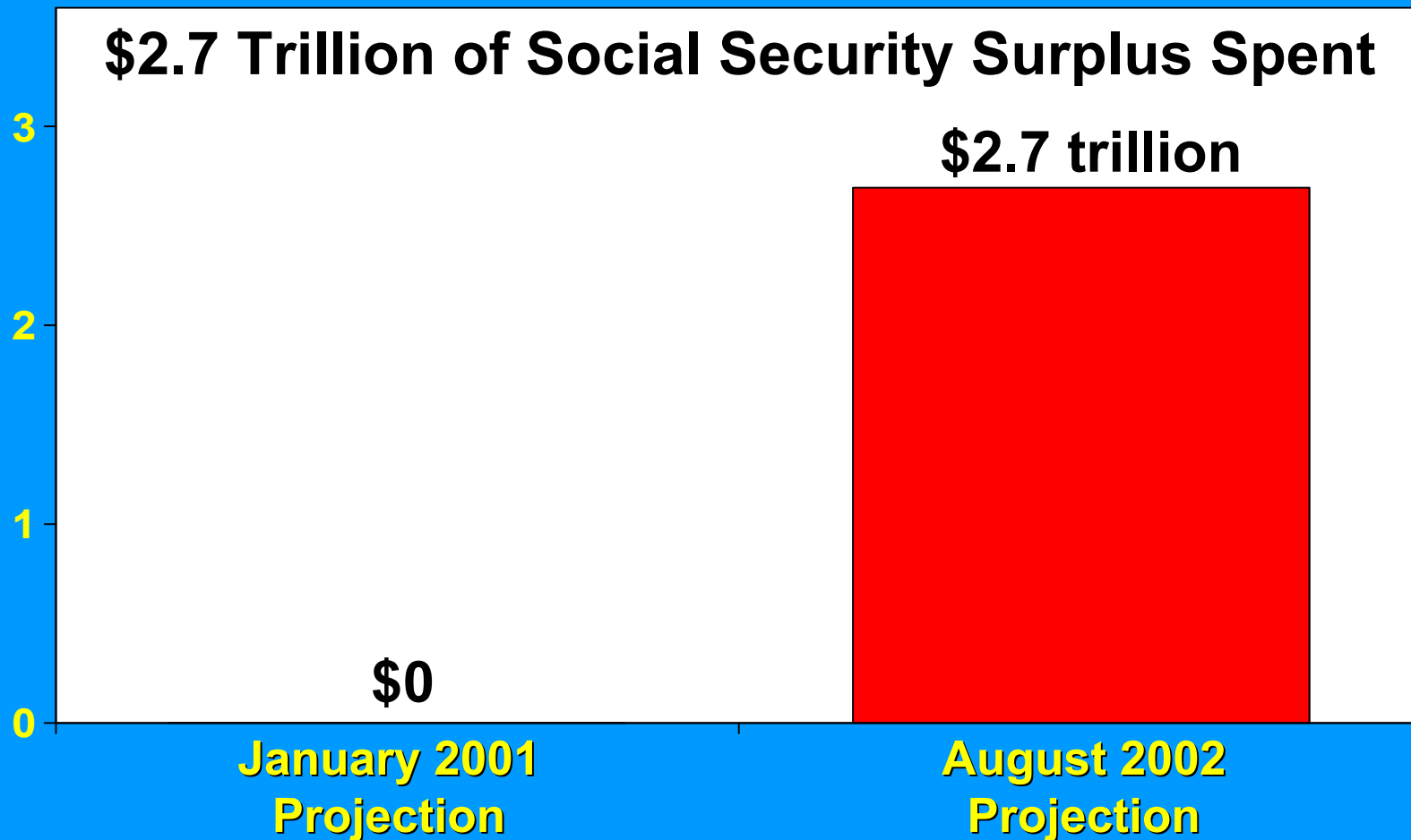


Source: Congressional Budget Office

\*Includes \$379 billion in proceeds from Federal assets after elimination of redeemable public debt.

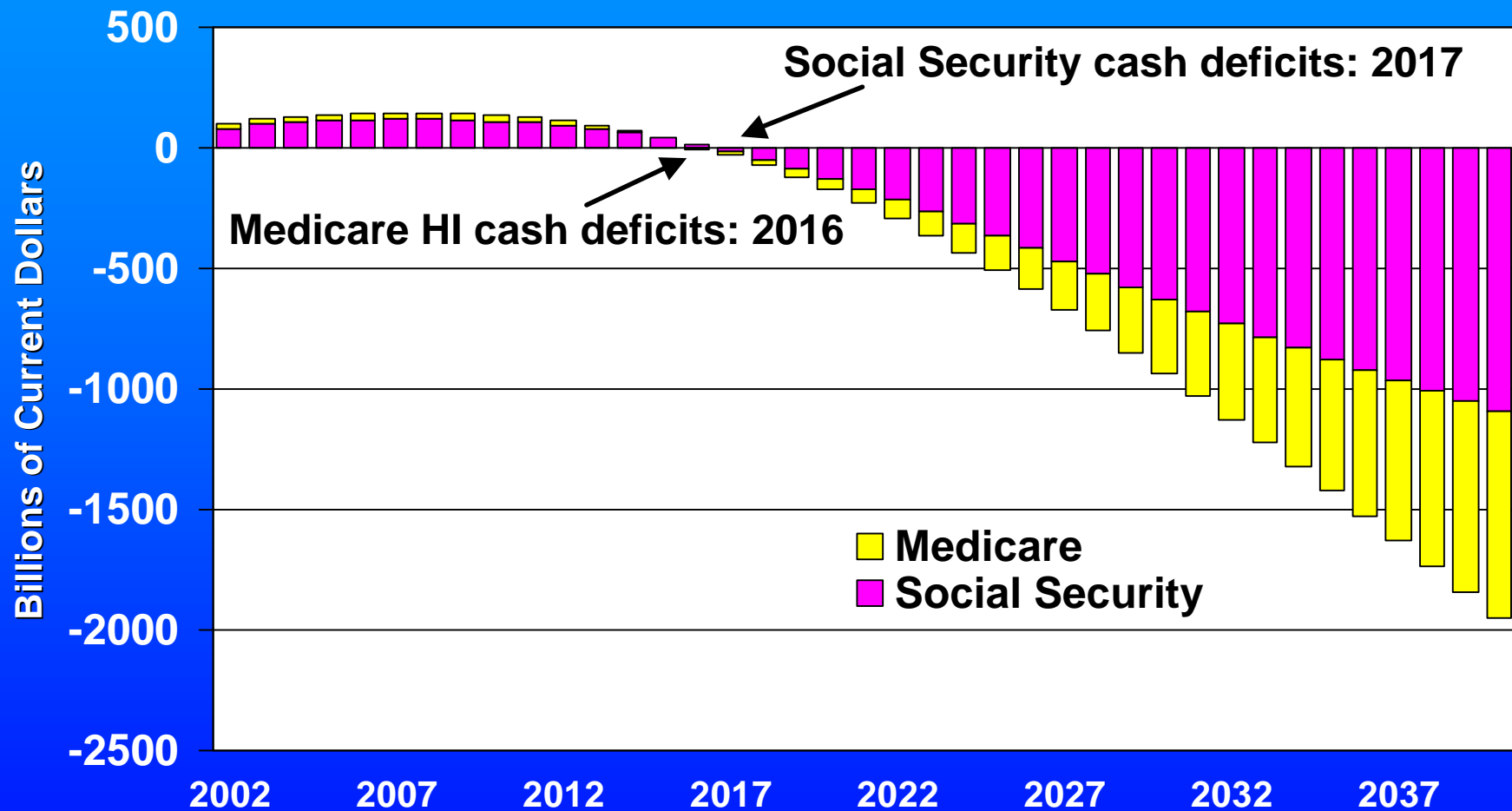
# Social Security Under Bush Budget

Social Security Surplus Diverted to Other Programs,  
FYs 2002-2011



Source: Congressional Budget Office and Senate Budget Committee

# Social Security and Medicare Trust Funds Face Cash Deficits as Baby Boomers Retire



Source: SSA