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White House to Project Deficit Above \$500 Billion Mark

By REUTERS

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WASHINGTON (Reuters) - The White House will project that the federal budget deficit will peak this year at more than \$500 billion, surpassing congressional estimates and shattering earlier records, officials said on Tuesday.

The White House sees improvement after that and will set the goal of halving the deficit from its more than half-trillion-dollar high over the next five years.

Bush will send his fiscal 2005 budget to Congress on Feb. 2. In it, he will propose limiting growth in spending outside defense and homeland security at about 0.5 percent -- far less than the rate of inflation.

Many budget analysts doubt Bush can meet that goal or cut the deficit in half by 2009. White House projections do not factor in the high cost of keeping U.S. troops in Iraq. The White House would top this week's Congressional Budget Office estimate of \$477 billion.

Administration officials said the discrepancy reflected the different ways in which the White House and the nonpartisan agency calculate their projections.

One factor may be economic growth.

The Congressional Budget Office projected growth of 4.8 percent this year and 4.2 percent in 2005 -- with the benefits of economic recovery outweighed by increased federal spending, like the \$400 billion Medicare drug benefit and \$87 billion Iraq war package Congress approved late last year.

White House economists are optimistic about the economy but slightly more conservative. They expect growth in 2004 of roughly 4.6 percent -- in line with a poll of private economists in the closely watched Blue Chip survey -- followed by growth of above 4 percent in 2005.

The current record deficit of \$374 billion, posted in fiscal 2003, itself easily eclipsed the prior high of \$290 billion set in 1992.

The shortfall predicted for 2004 would still be less than levels seen in the early 1980s when viewed as a percentage of the size of the U.S. economy.

Bush has been under pressure for months from conservatives within his own Republican Party to do more to rein in government spending and the deficit.

His plan to hold non-defense and non-homeland security spending growth to 0.5 percent would be the

lowest rate of growth since the first [President Bush](#) in fiscal 1993, the White House says.

Analysts note the curbs would apply to less than a fifth of total federal spending -- with automatic payments such as Social Security and Medicare not affected -- even if Congress can be made to swallow the cuts they would require.

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