

The Deficit's Demise?

Editorial Investor's Business Daily, June 14, 2006

Fiscal Policy: Critics' main gripe about President Bush's economic policies has been the "exploding budget deficit." Well, they'd better get their licks in, because the red ink is getting smaller by the day.

Almost unnoticed by the national media but not by IBD is the fact that the deficit, which was once seen as the symbol of fiscal ruin brought by Bush's policies, is quickly becoming a nonissue.

As IBD's Jed Graham reported Tuesday, the deficit is drying up as tax revenues pour in from a fast-growing economy. Gee, maybe some day the media will actually look back and understand what supply-siders said was true: Tax cuts lead to more economic growth, which inevitably results in greater tax revenues.

That's certainly true with today's gush of tax money. So far this fiscal year, tax revenues are up 12.9%, about \$176 billion above last year's pace, according to the Treasury Department. Even as Congress does its damndest to spend it all spending has risen \$130 billion, or 7.9% over the same period the deficit is going down.

Lest you think the executive branch is fudging the numbers, the Congressional Budget Office sends pretty much the same message, with slightly different digits. It reports receipts in the first eight months of the year up 12.8%, the second-fastest pace in a quarter-century. Only last year's 15.5% rise was greater.

What a change. What a turnaround.

Two years ago, President Bush forecast a \$521 billion deficit for 2004, or 4.5% of GDP, due to lingering effects of recession, the stock market's collapse and the financing costs of the war on terror. He vowed to cut that in half, to \$260 billion, or just under 2.3% of GDP, by 2009.

Fat chance, critics said at the time, insisting that tax cuts would ensure a growing deficit. Those who dared to support the White House forecast were ridiculed as mindless stooges.

Conventional media wisdom was summed up by a story in The Boston Globe headlined "Bush's Plan To Halve Federal Deficit Seen As Unlikely" and including this quote from Robert Bixby, head of the Concord

Coalition: "The plan to cut the deficit in half is not credible."

Even as recently as late last year, Treasury Secretary John Snow was ridiculed for insisting that "the president's legacy will be one of having significantly reduced the deficit in his time."

"Snow's comment would be laughable," responded Thomas Mann, a Brookings Institution analyst, "if it weren't so pathetically and obviously inaccurate."

Now, it seems, Snow's remarks were right on target, and Bush will meet his goal of halving the deficit with perhaps three years to spare. The deficit this year is now seen at about \$270 billion or 2.1% of a GDP that now tops \$13 trillion.

Yes, \$270 billion is still a big number. But as a share of income the only meaningful measure for the deficit it compares quite favorably with the 2.5% average since 1970.

We crunched the data yet another way looking at the cumulative, 12-month running average of the deficit to make sure the improve-

ment wasn't just a "mirage," as some have suggested. It's not. On a trailing 12-month basis, the deficit in May hit \$325.6 billion (see chart). That's down nearly \$100 billion from the all-time peak of \$419.1 billion in December 2004.

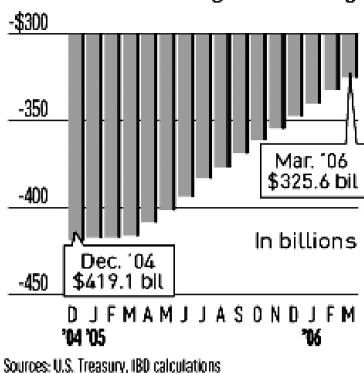
Why no recognition of this stunning success? Because with it comes the inevitable recognition of a much more uncomfortable fact for many that the president's tax cuts, far from setting us on the road to ruin, were in fact the economy's salvation.

The economy of the last few years can now be clearly separated into pre-tax cut and post-tax cut. The former was marked by slow or no growth, a lack of jobs and shrinking wealth.

The latter, which began in May 2003, with Bush's final round of cuts, has included 5.27 million new jobs, \$1.16 trillion in added economic output, an 8.9% gain in productivity and a stunning \$14.2 trillion surge in personal wealth.

Oh yes: Thanks to soaring revenues and a wee bit of spending restraint, it also includes a shrinking deficit the last domino to fall in the economically foolish opposition to the Bush tax cuts.

Shrinking Fast U.S. deficit, trailing 12-mo. avg.



10th Congressional District Health Care Town Hall Meetings

I want to let you know that Congressman Kucinich will be hosting three town hall meetings on "The Future of Health Care" in the month of July. The specifics are as follows:

Sunday, July 9th @ 3:00pm, AACCESS Ohio, 11555 Lorain Ave., Cleveland

Sunday, July 16th @ 3:00pm, Schaaf Community Center 5983 West 54th St., Parma

Sunday, July 23rd @ 3:00pm, Lakewood Civic Auditorium 14100 Franklin Blvd., Lakewood

As we all know, numbers of both the uninsured and underinsured are increasing, and those with coverage are facing much higher costs over time compared

to inflation. These town halls will be an opportunity to discuss these issues and solutions in detail, as well as continue to build support for a single payer system. Please forward this to anyone you know that may be interested in attending.

Steve Inchak, MSSA, LSW

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亞太裔文化節

Celebrate Asian/Pacific Americans' Heritage Day on July 8th

Come Join Us & Celebrate our Heritage

Rotunda, City Hall, 601 Lakeside Ave Cleveland, Ohio 44115

日期 Date: July 8th, 2006
時間 Time: 3:00 pm to 5:00 pm
費用 Admission: Free 全免費
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演講安排 Speaker Information
"Value of Immigration"
Margaret Wong—Guest Speaker
Joesph Miessner—Keynote Speaker

文化節目 Cultural Program

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Fan Dance & Indian Classical Dance; Other Activities
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Organization of Chinese Americans of Greater Cleveland (OCAGC)
Federation of India Community Associations (FICA)
Japanese American Citizens League (JACL)
Korean American Association of Greater Cleveland
Taiwanese American Association of Greater Cleveland (TAAGC)
Oberlin College Asian American Alliance
Philippine American Society of Ohio
Vietnamese Community in Greater Cleveland, Inc.
The Laotian Community of Cleveland
Asian American Chamber of Commerce

嘉賓 Invite Guests

Hon. Mr. Frank Jackson, Mayor, City of Cleveland,
Hon. Mr. Blain Griffin, Director, Community Relations Board,
International Community Council,
Presidents of Asian Organizations,
and several local government officials, Businessmen.
Asian/Pacific American Federation is a Non-Profit Organization

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