



PRESS RELEASE

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PRESIDENT

Maya MacGuineas

CRFB Warns Against Complacency in Light of New Deficit Numbers

(WASHINGTON, D.C., October 12, 2007) – Today, the Committee for a Responsible Federal Budget welcomed the announcement of a third consecutive annual decline in budget deficits, but warned that the nation’s long-term fiscal outlook remains grim.

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At a press conference this afternoon, President Bush announced that the deficit for 2007 was \$163 billion, down from \$248 billion in 2006. As a result of economic growth and spending constraints in Congress, the deficit is now just 1.2 percent of GDP, the lowest ratio since 2001.

“Any reduction in the deficit is good news,” said Maya MacGuineas, President of the Committee for a Responsible Federal Budget, “but population aging and rising healthcare costs threaten to reverse these trends. Furthermore, unrealistic assumptions and budgetary shortsightedness hide a harsher fiscal reality.”

Although the CBO and OMB both predict a balanced budget by 2012, these projections make three increasingly unlikely assumptions: a well-below-average rate of discretionary spending growth, no renewal of any of the Bush tax cuts, and a revenue-neutral reform to the Alternative Minimum Tax.

Additionally, current deficits do not account for implicit liabilities accruing for the Social Security and Medicare programs. Due to the anticipated growth in these programs, the GAO projects, the United States’ implicit debt is over \$50 trillion, the size of the entire economy today.

“If we don’t address these long-term entitlement issues,” MacGuineas explained, “the deficit will explode and could do real damage to our economy. Congress must not become complacent as a result of this good news, and must work to address the nation’s coming fiscal crisis.”

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The Committee for a Responsible Federal Budget is a bipartisan organization committed to educating policy makers and the public about issues related to fiscal policy. The Committee is located at the New America Foundation. www.crfb.org.