George Bush has unveiled his proposed budget for the next fiscal year—and unleashed a torrent of criticism for the deficits it will generate. Spending increases in some areas, coupled with the effects of tax cuts, have dashed hopes of a return to balanced budgets in the foreseeable future.

“A BUDGET-BUSTING epic disaster” was how one of George Bush’s political opponents described the president’s budget for the next fiscal year, launched on February 3rd. In a week dominated by concern about the likelihood of war with Iraq, and the loss of the Columbia space shuttle and its seven astronauts, Mr Bush’s budget plans have still managed to grab their share of the headlines—mainly because of the size of the deficits which the president is now predicting over the next few years. Some critics reckon there is virtually no hope of returning to balanced budgets in the foreseeable future.

It is all a far cry from the president’s campaign rhetoric just a couple of years ago. Mr Bush was committed to maintaining the budget surpluses he inherited from Bill Clinton. At the time, these were projected to reach record levels during the early years of the century. Now the administration’s line has shifted. Mitch Daniels, the president’s budget director, insisted that balancing the budget remained a priority for the government. But he then added that “it is not the top or the only priority”, referring to the war against terrorism.

Whatever gloss Mr Bush and his advisers seek to put on it, the numbers in the budget—a five-volume affair weighing over 13 pounds—are startling. Total spending is set at $2.23 trillion for the fiscal year 2004, which starts on October 1st this year. And the deficit—the number everyone is most interested in—is projected to be $307 billion, or 2.7% of GDP. On the administration’s own forecasts, that figure will rise the following year and, after dipping slightly, is set to pick up again from 2008 when some of Mr Bush’s plans really start to bite.
Unpicking the numbers reveals quite a lot about Mr Bush’s attitude to spending and taxes. Going through the fine print is already providing fresh ammunition to the president’s critics—on left and right. The total spending plans in the budget, and the sizeable increases on programmes such as defence, homeland security and even the widely publicised extra cash for fighting AIDS in Africa, tend to distract attention from the fact that many programmes are to be cut and that most of the spending increases that there are will be held at or below inflation. Plans to clamp down on various spending programmes for the poor—by increasing the paperwork needed to claim benefits, for example—will give ammunition to those who doubt Mr Bush’s commitment to “compassionate conservatism”.

But it is on the revenue side that the president is most vulnerable. The new budget incorporates the tax cuts that Mr Bush unveiled in last month’s economic stimulus package. Over a ten-year period, the latest tax cuts are estimated to cost nearly $1.5 trillion, and they come on top of tax cuts passed in the first months of Mr Bush’s presidency which will cost $1.35 trillion over a decade. Mr Bush also wants to make those first tax cuts permanent—they are currently scheduled to expire in 2010. If he succeeds in doing that, the small budget surpluses that have been projected after 2011 would vanish.

The long run of forecast deficits reminds some of the Reagan administration in the 1980s, which lumbered successive governments with deficits that took years—and enormous political effort—to reverse. Ronald Reagan pushed through sizeable tax cuts but, faced with a Democrat-controlled Congress, was unable to curb spending as he had envisaged.

When Mr Bush launched his tax proposals in the 2000 election campaign, he argued that they were justified because of the enormous budget surpluses that were, according to most projections, going to build up during and after his presidency. It is hard to believe now, but in early 2001, even Alan Greenspan, the politically neutral chairman of the Federal Reserve, was fretting about how to cope with enormous budget surpluses; he argued that if nothing was done, the government might have to buy private-sector assets. At least Mr Bush has given Mr Greenspan one less thing to worry about. Long gone are the arguments about keeping the pensions surplus intact, something that at one stage attracted bipartisan commitment.

What’s more, large as they are, the deficits for this year and next include what some economists would regard as optimistic assumptions about economic performance. Mr Bush is banking on GDP growth of 2.9% this year, and 3.6% next. Yet The Economist’s poll of private forecasters shows that, on average, they expect growth to be only 2.5% this year. That would mean lower tax revenues and a bigger deficit. And despite the planned increases in defence spending, Mr Bush has made no allowance in his figures for the cost of a war with Iraq. If needed, that would be dealt with in a separate emergency submission to Congress. Officials have speculated that the total cost could be anything between $50 billion and $200 billion.

Budget deficits at a time of economic underperformance make sense by providing some additional stimulus to the economy. As a share of GDP, Mr Bush’s deficit for next year is not notably out of step with many European Union countries, which are obliged to keep—or get—their deficits below 3% of GDP. The big difference is in the longer-term deficit projections. These would not be permitted under European Union rules for euro-area countries, nor under the budget rules in Britain. Even though Mr Bush enjoys a Congress controlled in both houses by his Republican Party, his plans have already met with vocal opposition. The numbers may even make some of his supporters blink.