

Federal deficit seems certain for next year

WASHINGTON (AP) — Politicians of both parties are lamenting that a federal deficit seems certain this year. Analysts outside the government are more concerned with the budget's increasingly shaky longer-term prospects.

A \$52 billion surplus projection for fiscal 2002 was put out last week by the leaders of the House and Senate budget committees. But that figure excluded bills to revive the economy and protect the nation against terrorist attacks. Bearing price tags well into the tens of billions of dollars, those measures will produce a deficit in the double-digit billions of dollars for the fiscal year that began Oct. 1, experts agree. The deficit will be the first since 1997.

Rather than expressing alarm, economists say it makes sense for the government to run deficits for the next year or two as it tries to prop up the limp economy by pumping money into it through tax cuts and extra spending.

"It's quite appropriate that your surpluses should decline in an economic downturn," said Susan Hering, an economist with UBS Warburg, a financial services firm in Chicago.

With layoffs piling up and consumer confidence plunging, no one can be certain how long the current downturn will last. The longer it goes on, the likelier long-term surpluses are to shrink.

In May, the CBO projected \$56 billion in surpluses from 2002 through 2011. Last week,

the budget committee leaders said that figure now looks more like \$2.6 trillion — and could be as small as \$240 billion.

The surpluses are important because politicians have been counting on them to dramatically reduce the national debt over the next decade. That would put the government on more solid financial ground and help shore up Social Security and Medicare for the looming retirement of the 76-million-strong baby boom generation.

Many analysts say it's not yet time to panic.

Politicians got a break because the problems with the

writing legislation in coming weeks to stimulate the economy and buttress anti-terrorism efforts, lawmakers will enact permanent tax cuts and create new spending programs. The combination and a further weakening of the economy could dissolve projected surpluses.

"Should decisions over the next few months eliminate the fiscal flexibility we had in our future, that would be a very unfortunate turn of events," said Robert Reischauer, president of the Urban Institute, a research group, and former chief of the Congressional Budget Office.

Bush and leaders of Congress have spoken of the need to keep the economy and federal budget healthy over the long run, no matter what short-term steps they take in coming months.

"These are unusual times that require unusual measures," said Senate Minority Leader Trent Lott, R-Mississippi, last week. "But we should not loose the dogs of deficit spending forever."

The problem is that translating such sentiments into reality often leads to familiar partisan conflicts.

The Democratic and Republican budget committee leaders announced a set of principles last week aimed at limiting the long-term fiscal harm any economic stimulus package might have. Such a package is beginning to work its way through Congress and could have a price tag of roughly \$75 billion.

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— Paul Kasriel, economist

economy and terrorism began when the budget was stupendously healthy, according to the analysts. A deficit this year in the tens of billions of dollars is insignificant, economists say, compared to the country's \$10 trillion economy.

"I don't think we're yet at the point where we return to the bad old days" of deficits year after year, said Paul Kasriel, economist with The Northern Trust Co. in Chicago.

Analysts worry that, when

NEWS IN BRIEF

TXU to republish rate increase

The Bryan City Council called for TXU Electric & Gas to republish its proposed gas rate increases and postpone the increase until December at the council's last meeting on Sept. 25.

TXU published an 11.21 percent rate increase for the southern region of Texas, which is half of the price Bryan customers were going to be charged. TXU's new rates included a 24.3-percent increase for residential gas and a 7.5 percent increase for commercial gas.

TXU tried to increase the rates by 19 percent in 2000, but Bryan and College Station disputed the

proposal. The cities settled on a 4.5 percent increase.

The council adopted a resolution stating that TXU must republish a notice in *The Bryan-College Station Eagle* stating the rate increases for all residents in Bryan.

TXU wrote a letter to the council the previous day saying that it would not republish the notice because they were not in the wrong.

The agenda for tonight's council meeting includes adopting a resolution to distribute certificates of obligation, which will bring in nearly \$16 million for the city. The council will also consider renaming Briarcrest Drive and West Villa Maria Road to Briarcrest Parkway.

The meeting will begin at 6 p.m. in the council chambers of the Bryan Municipal Building in Bryan.

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