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Estimate for 10-Year Deficit Raised to \$9 Trillion

By JACKIE CALMES
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WASHINGTON— The nation's fiscal outlook is even bleaker than the government forecast earlier this year because the recession turned out to be deeper than widely expected, the budget offices of the White House and Congress agreed in separate updates on Tuesday.



Richard Drew/Associated Press
Peter Orszag, the president's budget director, says the nation inherited a dire situation.

The Obama administration's [Office of Management and Budget](#) raised its 10-year tally of deficits expected through 2019 to \$9.05 trillion, nearly \$2 trillion more than it projected in February. That would represent 5.1 percent of the economy's estimated [gross domestic product](#) for the decade, a higher level than is generally considered healthy.

The [Congressional Budget Office](#), which unlike the administration did not account for the president's policy proposals in its latest report, increased its projection of deficits over the next decade. Absent any changes in law, it said the deficit would rise to \$7.1 trillion, from \$4.4 trillion in March.

The C.B.O. did analyze the president's budget in June and concluded his proposed tax cuts and spending would push deficits through 2019 above \$9 trillion. While the administration now agrees with that figure, technical data in the new C.B.O. report suggests that if it were to review the Obama budget now, it would project deficits through 2019 above \$10 trillion, analysts speculated.

Anticipating that the deficit figures will stoke the debate over the costs of Mr. Obama's effort to overhaul health care,

the administration was quick to say that much of the projected deficit was a legacy of the Bush administration and that the Obama administration was committed to restoring budget discipline when the economy recovers.

"Over all, it underscores the dire fiscal situation that we inherited and the need for serious steps to put our nation back on a sustainable fiscal path," [Peter R. Orszag](#), the president's budget director, wrote on his agency's Web site.

As the president has argued before, Mr. Orszag said that rising deficits make an overhaul of the health care system essential, because the government's ballooning costs for [Medicare](#) and [Medicaid](#) are "the key driver of our long-term deficits."

Congressional Democrats echoed that argument in statements reacting to the budget reports. But Republicans concluded otherwise.

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“While the U.S. health care system does need to be reformed, we cannot ignore the fiscal realities of our situation,” Senator [Judd Gregg](#) of New Hampshire, the senior Republican on the Senate Budget Committee, said in a statement. “We must proceed with extreme caution before putting in place a huge and costly new program that will threaten our economy and the future of our children,” he added.

The budget updates from the White House and Congress, required each summer by law, incorporate economic data from last winter that turned out to be worse than either public or private forecasters expected as the year began, and also reflect the costs since then of spending and tax cuts to stimulate the economy and bail out the financial, auto and housing sectors.

Amid signs that the downturn has hit bottom and a slow recovery was under way, one lagging indicator troubles Democrats. The administration now projects that while the economy will return to growth later this year, though more slowly than it forecast in February, the unemployment rate will top 10 percent before employers start rehiring. That would be up from 9.4 percent in July, and a sharp jump from the 8 percent that the administration forecast earlier.

The relative good news was that the administration and Congress’s budget office reduced their projected deficits for the current fiscal year that ends Sept. 30.

Each agency now says that the fiscal 2009 deficit will reach \$1.6 trillion, or 11.2 percent of G.D.P., the highest level since World War II. Previously the administration projected \$1.8 trillion, or nearly 13 percent of G.D.P.; the Congressional office had projected \$1.7 trillion.

The reduction for just this year is largely because of lower-than-expected costs for rescuing financial institutions and because some banks repaid money from the [\\$700 billion bailout](#) program that began in the last months of the Bush administration.

When Mr. Obama took office, his budget office projected it had inherited a deficit for 2009 of \$1.3 trillion; the C.B.O. estimated \$1.2 trillion.

Since then, the administration and Democratic-controlled Congress have enacted a [\\$787 billion stimulus package](#), though less than half of that will be disbursed this fiscal year, as well as supplemental spending for the wars in Iraq and Afghanistan and bailouts for two automakers.

Also, the recession has reduced anticipated revenue from taxpayers, and increased spending for safety-net programs like jobless benefits and food stamps.

The budget reports underscored another factor that increasingly is driving up deficits: the cost of interest on the expanding federal debt, which is the accumulation of all annual deficits. The debt, which was 33 percent of the G.D.P. when the decade began, would reach 68 percent by 2019.

The House Republican leader, Representative [John A. Boehner](#) of Ohio, said in a statement, “the Democrats’ out-of-control spending binge is burying our children and grandchildren under a mountain of unsustainable debt.”

Administration officials countered that they were restoring pay-as-you-go budget rules that Republicans had shelved when they were in power, though Democrats would exempt major items. Democrats also said that while they are trying to offset the costs of health care changes, Republicans in the Bush years cut taxes, waged wars and created a Medicare drug benefit, all by deficit financing.

“It’s fairly clear that responsibility for these numbers doesn’t lie with [Barack Obama](#) but with the policies that were in place before him,” said Stan Collender, a longtime budget analyst at the consulting firm Qorvis Communications. He said either Mr. Bush or Senator [John McCain](#), Mr. Obama’s Republican rival in 2008, would have increased the deficit comparably this year with more war and stimulus spending.

But, he added, “regardless of who’s to blame, it’s undeniably Barack Obama’s problem now.”

The administration, with backing from many economists, has said it would not try to cut the short-term deficits until the economy recovers enough that businesses and consumers resume their spending and investment. But Mr. Orszag said the administration, in next year’s budget, would propose savings other than in health care to arrest long-term deficits.

His office’s budget report also said that “the president is committed to addressing the shortfall in the [Social Security](#) system.”

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