

The New York Times

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)

January 31, 2010

Obama Budget Freezes Much Domestic Spending

By [JACKIE CALMES](#) and [ROBERT PEAR](#)

WASHINGTON — [President Obama](#) will send a \$3.8 trillion budget to Congress on Monday for the coming fiscal year that would increase financing for education and for civilian research programs by more than 6 percent and provide \$25 billion for cash-starved states, even as he seeks to freeze much domestic spending for the rest of his term.

The budget for the 2011 fiscal year, which begins in October, will identify the winners and losers behind Mr. Obama's proposal for a three-year freeze of a portion of the budget. Many programs at the [National Institutes of Health](#), the [National Science Foundation](#) and the Energy Department are in line for increases, along with the [Census Bureau](#).

Among the losers would be some public works projects of the [Army Corps of Engineers](#), two historic preservation programs and [NASA's](#) mission to return to the Moon, which would be ended as the administration seeks to reorient the space program to use private companies for launchings. Mr. Obama is recycling some proposals from last year, including one to end redundant payments for land restoration at abandoned coal mines; Western lawmakers blocked it in 2009. Mr. Obama will propose a total of \$20 billion in such savings for the coming fiscal year.

Exempted from the cuts, however, are national security, veterans programs, [Medicare](#), [Medicaid](#) and [Social Security](#) — the most expensive and fastest-growing areas of the budget.

By filling in the details behind the freeze, the administration hopes to show critics that it used a scalpel rather than an ax to keep spending for the targeted domestic agencies to \$447 billion through 2013.

The three-year freeze would save \$250 billion over the coming decade, assuming the overall spending on the domestic programs is permitted to rise no more than the inflation rate for the remainder of the decade — an austerity that neither party has ever achieved in Washington. Even so, the \$250 billion in savings would be less than 3 percent of the total deficits projected through 2020.

Criticism of the spending plan has ranged from arguments among liberals in Mr. Obama's party and some economists that he should not be cutting spending when the economy needs hundreds of billions of dollars more in stimulus money, to complaints from Republicans that the savings are too paltry when annual trillion-dollar deficits are the largest since World War II.

The debate reflects the conflicting imperatives underlying the administration's fiscal policies — between the demands to help a struggling economy create jobs and the need for long-term efforts to address the huge

buildup of debt that threatens the nation's future prosperity.

"There is a huge tension" between the goals, said [Robert D. Reischauer](#), a former director of the [Congressional Budget Office](#).

Mr. Obama addressed the dueling challenges in his weekly radio and Internet address Saturday.

"As we work to create jobs," he said, "it is critical that we rein in the budget deficits we've been accumulating for far too long — deficits that won't just burden our children and grandchildren, but could damage our markets, drive up our interest rates and jeopardize our recovery right now."

For the current fiscal year, the administration is working with Congressional Democrats for up to \$150 billion more — on top of roughly \$1 trillion in stimulus measures to date — to spur job creation through more business tax cuts and money for construction projects and provide relief for the long-term unemployed.

At the same time, to hold down annual deficits, the president has proposed the freeze as well as a pay-as-you-go law to require offsetting savings for new spending and tax cuts. He is also calling for new revenue sources, like a proposed tax on big banks to recover any losses from the financial bailout program, and proposing some old ones that Congress has not accepted, including selling emission permits to businesses to reduce pollution.

And for the long term, Mr. Obama will soon issue an executive order for a bipartisan commission to propose a debt reduction plan by December. Democratic leaders have committed in writing that Congress will vote on the panel's package.

As the administration was completing its budget plans in December, Mr. Obama said at a White House economic forum that "we've got about as difficult an economic play as is possible" in adding to the current deficit while simultaneously planning to slash future shortfalls. He compared it to pressing the accelerator while being poised to hit the brakes.

Because deficits would be even worse if the economy relapsed, he said then, "the single most important thing we could do right now for deficit reduction is to spark strong economic growth" so that people have jobs, businesses make profits and the government collects more taxes.

But he acknowledged, as his support in the polls continued to slip, "We're going to have to do a better job of educating the public on that."

The worse-than-expected [recession](#), which has led to even smaller tax collections and higher stimulus spending than planned, has doomed Mr. Obama's promise a year ago to reduce annual deficits by the end of his term to a size equal to 3 percent of the gross domestic product, a level most economists consider sustainable. The projected \$1.3 trillion deficit for this year is more than 9 percent of the gross domestic product.

Mr. [Obama's budget](#) director, [Peter R. Orszag](#), told business leaders in November that he was now dedicated to getting the deficit to 3 percent by the 2015 fiscal year. But he has also told people that success is contingent on a bipartisan debt commission forcing Congress to increase revenues and reduce future spending on

entitlement program benefits — an outcome that is far from certain at this point, given Republican leaders' resistance to even participating in a commission.

The president's budget also assumes approval of his ambitious plan, now stalled in Congress, to remake the nation's health care system. That would mean significant reductions in the growth of Medicare spending. The White House and Congressional Budget Office agree that the health bill would reduce projected deficits in the long term. But the reductions are relatively small compared with the total deficits projected over the coming decade.

Mr. Obama's 2011 budget would provide more for the Pentagon's Special Operations forces, the [Army's](#) Black Hawk and Chinook helicopters, and the F-35 Joint Strike Fighter.

Mr. Obama and Congressional Democratic leaders have said they will extend most of the Bush-era tax cuts scheduled to expire on Dec. 31. The president wants Congress to let the tax cuts lapse for high-income people, so that couples making more than \$250,000 would see their taxes rise. But some centrist Democrats are urging Mr. Obama to spare wealthy taxpayers as well, to avoid raising their taxes before the economy is fully recovered.

[Copyright 2010 The New York Times Company](#)

[Privacy Policy](#) | [Terms of Service](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)