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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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SUSTAINED ECONOMIC GROWTH SHOULD BE A TOP PRIORITY OF TAX POLICY

-- Tax Relief Did Not Cause Budget Deficits --

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Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Stephen Thompson
Radio & T.V.
(202) 226-3228

WASHINGTON, D.C. – Partisan attacks on Administration economic policy by Senator John Kerry and other presidential candidates fail to acknowledge the fact that tax relief legislation did not push the budget into deficit, Vice Chairman Jim Saxton said today. Instead, the bursting of the financial bubble in 2000, and the related economic slowdown and recession that followed, are the main factors pushing the budget into deficit. In other words, these economic factors changed the budget situation; a changed budget situation did not cause the economy to deteriorate, as some suggest.

Congressional Budget Office (CBO) budget surplus projections made in January 2001 demonstrate that the budget effects of the tax bills passed in the last three years were too small to push the budget into deficit. The budget effects of the tax legislation alone would have left large surpluses through 2008. For example, in 2003, after enactment of the tax relief bills, the surplus would have been $182 billion. However, the popping of the financial bubble in 2000, and the associated economic slowdown and recession, along with new spending, will generate a 2003 deficit of $401 billion, according to new CBO estimates released yesterday.

"The magnitude of the economic and technical revisions to the 2001 CBO budget projections has been astronomical," Saxton said. "The numbers show that the recent swing from large budget surpluses into deficits is much too large to have been caused by the tax legislation passed in the last three years. Unfortunately, some have confused the effects of the economic and technical revisions with those of the tax legislation.

"Despite the partisan criticism, economic growth now seems to be responding favorably to the changes in tax policy. This tax relief policy is based on the idea that restoration of healthy economic growth should be a main focus of tax policy. A pick up of economic growth also will provide a much more favorable setting in which to address the problem of deficit spending," Saxton concluded.

The table below shows the impact of the tax legislation alone on the budget surpluses projected in 2001 for fiscal years 2002 and 2003.

Tax Relief and Projected Surpluses
(billions of dollars)

	2002	2003	2004-2008
Total Surplus (Projected in January 2001 by CBO)	$313	$359	$2,543
Tax Relief *	-$93	-$177	- $1,022
Total 2001 Projected Surplus Minus Tax Bills	$220	$182	$1,521

*OMB, *FY 2004 Midsession Review*, includes 2001, 2002, 2003 tax relief legislation.

For more information on tax policy, please visit our website at www.house.gov/jec.