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CHAIRMAN JIM SAXTON

PRESS RELEASE

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NEW CBO FIGURES SHOW STEEP DEBT REDUCTION

-- Net Indebtedness To Fall Over \$3 Trillion In Ten Years --

WASHINGTON, D.C. --New budget numbers released today by the Congressional Budget Office (CBO) project a huge reduction in net federal debt over the next 10 years, Joint Economic Committee (JEC) Chairman Jim Saxton noted today. The CBO figures show that net indebtedness of the federal government is projected to fall by over \$3.2 trillion dollars between fiscal 2001 and fiscal 2011. As Saxton has previously said, this implies a looming shortfall in the availability of Treasury securities that has serious implications for financial markets and institutions, monetary policy, debt management and other aspects of financial and economic policy.

"The new CBO release confirms the likelihood of a acute shortfall in the availability of Treasury securities in coming years," Saxton said. "According to the CBO figures, net debt will fall significantly in each of the next ten years. This implies a severe shrinkage in the availability of Treasury securities that now have a central role in financial management throughout the private sector. Banks, mutual funds, non-financial corporations and private investors will have to consider how to adjust to this new environment.

"According to CBO, the annual reductions in net public indebtedness will expand over the next ten years, averaging \$323.8 billion per year. By the end of the period, there would be no outstanding Treasury securities readily available for purchase in the financial markets. This would have enormous and wide-ranging effects on our economy and financial system that are just starting to be examined. As Chairman Greenspan noted earlier this year, a lack of Treasury securities would also complicate the Federal Reserve's conduct of open market operations.

"I would also suggest that change in the level of net indebtedness is a more relevant measure of the fiscal health of the U.S. government than are many alternatives. A sharp decline in net public indebtedness to such low levels is obviously consistent with a favorable fiscal position. Although some may choose to portray the new CBO budget figures in apocalyptic terms, the decline in net public debt to very low levels contradicts this point of view. The current and future declines in net public indebtedness reflect the positive fiscal position of the federal government," Saxton concluded.

For more information on the federal debt, including the recent JEC study, *Federal Debt: Market Structure and Economic Uses For U.S. Treasury Debt Securities*, please visit our website at www.house.gov/jec.

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