



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
February 20, 2001

Press Release #107-8
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HUGE SURPLUSES MAY BE LOST IN NEW SPENDING - Study Shows Intense Spending Pressures Eroding Surpluses -

WASHINGTON, D.C. - The huge budget surpluses currently projected could be sharply reduced by new spending pressures, according to a study re-released by incoming Chairman Jim Saxton of the Joint Economic Committee (JEC). The study shows that most of the budget surpluses accruing since WW II “were quickly dissipated by major spending increases.” The study, *Budget Surpluses, Deficits and Government Spending* is available from the JEC and is also posted on the Committee’s website.

“This study confirms my concerns about the prospect of huge projected surpluses being washed away by a rising tide of new federal spending,” Saxton said. “It would be naïve to think that trillions of dollars in surpluses will be permitted to accumulate here in Washington without special interest groups and others pushing for higher levels of federal spending.

“The surplus of tax revenues now accumulating represents an excessive collection of revenue that should be returned to the taxpayers from whence it came. A reduction in the counterproductive burden of high taxes on the economy would not only benefit taxpayers, but also improve the outlook for the economy in both the short and long terms.

“The alternative of permitting these surpluses to be siphoned off for more federal spending would unnecessarily increase the burden of federal spending on the economy. Federal revenues, as a share of the economy, are at historically high levels, and now is the opportune time to reduce the tax burden to more normal levels,” Saxton concluded.

Among the study’s findings:

- The propensity to spend out of budget surpluses has risen significantly over time, and in the postwar era at least 60 cents of each surplus dollar were spent the next year;
- Early in the Republic, a majority of surpluses were returned to taxpayers in the form of lower taxes; in the modern era, very little if any of surplus funds were used for tax reduction;
- Surpluses arising right after World War II, in the mid-1950s, and in 1969 were quickly dissipated by major spending increases.

For more research on taxes and spending please visit our website at www.house.gov/jec.

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