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For Immediate Release
Thursday, November 29, 2001

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**A RETURN TO DEFICITS “NO SURPRISE” GIVEN UNAFFORDABLE TAX CUTS,
SAYS JOINT ECONOMIC COMMITTEE VICE CHAIR SEN. JACK REED**

Washington, D.C. – Senator Jack Reed, D-RI, Vice Chairman of the Joint Economic Committee, today made the following comments on the Senate floor regarding economic conditions and the stimulus package:

I am privileged to serve as the Vice Chairman of the Joint Economic Committee. The Democratic staff of the JEC issued a very prescient report about America’s economy. The first paragraph of the executive summary reads as follows:

“New reports from the Bush Administration’s Office of Management and Budget and the Congressional Budget Office confirm that the combination of the large tax cut and the worsened economic situation have essentially eliminated an expected on-budget surplus for the next five years.

Indeed, there is a growing possibility that the government’s fiscal position could be even worse, with no surplus at all by the end of the decade and with a national debt that might be even higher in ten years than it is now.”

What is particularly prescient about this report is the fact that it was not issued this morning, hours after Mr. Daniels of OMB declared that the fiscal policies of this Administration have locked this government into deficits for the next several years. This report was issued on September 7, 2001.

The attack on September 11 was a dreadful assault on this country, but it is not the cause of the current deficit we are staring at over the next several years. It may have accelerated the timing, but the fundamental core was the irresponsible tax policies of this administration.

In 1993, President Clinton’s [economic] plan, which passed by a very narrow margin, set the fiscal context – together with monetary policy – for the largest expansion of our economy, perhaps, in our history. Yet when this party came to power – not only in the Senate and the House, but in 2001 in the Presidency – it took a scant nine to ten months to reverse years of economic progress and prosperity, and cast us back again into deficit, after deficit, after deficit.

There is no surprise about Mr. Daniels' announcement yesterday. It was inevitable after we passed this tax cut. Now, as we go forward, we are seeing the consequences. Those consequences will be difficult to bear.

Our colleagues are compounding this terrible situation by advancing the same policies in the guise of a stimulus package: Accelerating marginal tax cuts further and proposing corporate AMT that is retroactive. That is not going to get this economy moving. That will simply make the hole we are in much, much deeper – and the climb out much steeper and longer and harder, particularly for working Americans.

I hope yesterday's announcement represents not just waking up to the reality of their policies, but changing the policies. That in working collectively with the leaders in the House and in the Senate to craft a fiscal package that will move America forward, we will begin our slow climb out of this deficit situation.

But there should be no confusion about the fundamental cause of our current situation – a precipitous collapse from surpluses to deficits. It was an unwise, irresponsible tax plan promoted and proposed by the President and regrettably accepted by this Congress.

I hope the searing news that Mr. Daniels gave us yesterday will provide something more than heat – that it will provide a little illumination to those who seek to lead this country.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.