



JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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ECONOMIC SLOWDOWN AND FORECAST
ERRORS DRIVE BUDGET INTO DEFICIT

-- 2001 Tax Act Alone Would Have Left Large and Growing Budget Surpluses --

WASHINGTON, D.C. – An objective review of the budget numbers shows that huge budget estimate revisions due to the economic slowdown, stock market decline, and other non-policy factors are the forces driving the budget into deficit, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton also pointed out that the static revenue effects of the 2001 Tax Act, on its own, would have resulted in a 2002 surplus of about \$275 billion, trending upward to over \$600 billion by the end of the decade.

“The magnitude of the economic and technical revisions in the Congressional Budget Office (CBO) budget projections have been astronomical, and have turned apparent large surpluses into short-term deficits,” Saxton said. “For example, in 2002 changed economic and technical factors accounted for about \$320 billion of the budget swing, more than enough to erase the initial \$313 billion 2002 surplus projection made in January of 2001. In the absence of these factors, the 2002 budget would have been in a strong surplus position, after taking into account \$38 billion in tax relief under the 2001 act.

“Unfortunately, some here in Washington seem to have confused the effects of these huge budget revisions with those of the 2001 tax act. However, the facts show that the revenue effects of the tax bill on its own would have left large surpluses in place, while checking even more excessive spending. Fortunately, we did the right thing and provided tax relief that helped soften the downturn and sustain the economic expansion. The projected budget surpluses were erased by an unanticipated economic and financial downturn, and other forecast errors, not because Congress enacted a tax relief package.”

2001 Tax Act and Projected Surpluses (billions of dollars)										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Surplus (Projected in January 2001 by CBO)	313	359	397	433	505	573	635	710	796	889
Tax Act	-38	-91	-108	-107	-135	-152	-160	-168	-187	-130
Total 2001 Projected Surplus Minus Tax Act	275	268	289	326	370	421	475	542	609	759

For more information on economic policy, please visit the JEC website at www.house.gov/jec.

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