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Opening Statement
Senator Jack Reed
Vice Chairman, Joint Economic Committee
February 5, 2002

Thank you, Chairman Saxton, for this opportunity to discuss the economic outlook and to review the Economic Report of the President, released today. I also want to thank Council of Economic Advisers Chairman Dr. R. Glenn Hubbard and members Dr. Mark McClellan and Dr. Randall Kroszner for their testimony today.

The last time you were here, Dr. Hubbard, the National Bureau of Economic Research (NBER) announced the economy had been in recession since March 2001. Despite some recent hopeful signs, the economy remains weak.

Clearly, the task before us as policymakers is to get the economy out of recession quickly and put us back on a path of strong and sustainable growth. How we get there has been – and will continue to be – the subject of much debate. What's clear, however, is that the President's call to accelerate and make permanent the scheduled personal income tax cuts won't get us there.

Over the next decade, the non-partisan Congressional Budget Office (CBO) projects that the federal surplus will be more than $4 trillion lower than its January 2001 projection. CBO estimates that less than one-fourth this downward projection is attributable to weaker economic conditions, while more than 40 percent is attributable to the tax cut. The true budget outlook is likely to be even gloomier, because the CBO projections do not take into account any new policies, such as those just proposed in the President's budget.

Accelerating or making permanent the Administration's tax cuts is poor economic policy for both the short run and the longer run. In the short run, the tax cut goes disproportionately to the highest-income households who are least likely to spend it. In the longer run, the tax cut severely reduces public saving and would be unlikely to stimulate significant increases in private saving. Thus, national saving and economic growth will fall, just at the time when the budgetary pressures of the aging baby boom start to hit.

The attack on September 11 was a dreadful assault on this country. But the irresponsible tax cuts pressed by this administration had us headed down a road to deficits even before we faced a war on terrorism. Now we have to respond to our national, homeland, and economic security needs bereft of a surplus that was hard-earned over years of effort during the 1990s.

The consequences of not having surpluses to fund our national priorities are severe. For example, the President has proposed cuts in job training programs that help people transition from welfare to work, and an inadequate amount of money for providing prescription drugs to seniors.

Balancing our national priorities is challenging enough without imposing additional and unwise fiscal constraints. We simply cannot afford to accelerate or make permanent tax cuts for only the wealthiest Americans at the expense of immediate needs and investments for the future.

Mr. Chairman, I look forward to the testimony of and discussion with Chairman Hubbard and the other members of the CEA.