**Statement of the Honorable John Spratt**
**Democratic Policy Committee Hearing on the Budget Deficit**

January 20, 2004

Mr. Chairman, I am pleased to have the opportunity to participate in this important and timely hearing on one of the most pressing public policy issues facing this nation, the deficit.

Quite frankly, Mr. Chairman, what we have here is an Administration that has overseen the largest fiscal reversal in our nation's history and has no shock, no shame, and no solutions. Instead, they propose large additional tax cuts and hugely expensive new plans, such as landing men on Mars.

The Administration's stated policies will lead to a $660 billion non-Social Security deficit in 2004 and will add more than $3 trillion to the public debt, and more than $6 trillion in debt subject to limit, through 2013. To put it in perspective, today's deficits are higher than those of the Reagan era, and higher even those of the early nineties, when we forged a national consensus on deficit reduction, but the Administration continues to insist they are "manageable." Republicans passed a $350 billion tax cut in 2003, which had sunsets to comply with the budget resolution. Now they are back to make the tax cuts permanent, and the cost would explode to $2.5 trillion over twenty years if this comes to pass. Unless we change course, we are left with deficits as far as the eye can see.

This is not merely an "inside the Beltway" issue or an academic dispute; families all across America will see fewer of their tax dollars going to make them safer, healthier, or smarter, and more to pay bond holders in the form of a "Debt Tax." Prior to the Bush Administration's fiscal policies, net interest on the public debt would have been down to zero by 2009, according to CBO; now a family of four can look forward to carrying $5200 worth of interest on the national debt by 2013. And it seems a very rosy scenario, indeed, that we will be able to outgrow these projected shortfalls; they were calculated by CBO in the first place using generous assumptions about growth.

These deficits are further increased by spending requested by the Republican President and enacted by Republican majorities in the Congress. For all their talk of discipline on the spending side, Republicans have actually reversed a trend of declining outlays as a fraction of GDP under the Clinton Administration. Total outlays were 18.4% of GDP in the last full fiscal year of the Clinton Administration; that figure rose to about 20% for fiscal year 2003. It's a different world today, but the Administration is still sticking to a plan that was rolled out in 2000 and has failed the test of time and experience. And these deficits are even more irresponsible when you take into account that a healthy rate of national savings is required to prepare for the retirement of the Baby Boom generation. It is now official Administration policy to run deficits that far outstrip the Social Security and Medicare surpluses today and every year for the foreseeable future.

Finally, in the wake of the recent IMF report which questioned the sustainability of our current path, we've been hearing a lot of novel theories from some quarters about the relationship between deficits, real interest rates, and long-term growth. I would close with a cautionary word from Federal Reserve Chairman Alan Greenspan: "History suggests that an abandonment of fiscal discipline will eventually push up interest rates, crowd out capital spending, lower productivity growth, and force harder choices upon us in the future." I hope that we can use history as our guide and find our way back to fiscal sanity.

Deficits are consequential, Mr. Chairman. I look forward to hearing our panel elaborate further on this problem, and thank each one of them for the effort they have made to be here and testify today.