**Transcript of Opening Statement by Senate Budget Committee Chairman Kent Conrad at Press Briefing on Budget Deficit Projections and Economic Stimulus**
**November 30, 2001**

This week, Office of Management and Budget Director Mitch Daniels provided an outlook that said that we would be headed back into deficits for the next three years, and perhaps four. He didn't provide the details of that analysis but said that this is the result of the Office of Management and Budget's relooking at the economy.

He attributed the return to deficits to two factors. He attributed it to the economic slowdown and he attributed it to the war. We have now gone and done an analysis of where we stand as of today, where we are with respect to the additional expenses from the war, the slowdown in revenue as a result of the economic slowdown, and also the effect of the earlier passed tax cut. And what we find is that Director Daniels has left out the biggest factor. When he says the reduction in the surplus and the move back toward deficits is because of the war and economic slowdown, he's left out the biggest factor. The biggest factor is the tax cut.

In fact, looking at what has happened to date and including the Republican stimulus package, what we see is that 49 percent of the reduction in surplus and the move back toward deficit is because of the tax cut that this Administration proposed and pushed through. 35 percent is because of the economic slowdown. 16 percent is due to increased spending from the attack on this country.

If you go to the more detailed look of what one sees, is that we started this year, you'll recall, with a projected surplus of $5.6 trillion. That has now been reduced to $1.6 trillion, just based on the legislation that has been passed to date – and we detail that for you - based on the tax cut and based on the economic slowdown. The economic slowdown assumptions here are those that were part of the consensus forecast we put out last month that was the work of the Office of Management and Budget and the Republicans on the Senate and House Budget Committee and the Democrats on the Senate and House Budget Committee.

We have added another reduction in our outlook for revenue that Mr. Daniels said in a meeting with me yesterday represents about the mid-point in his own analysis of further economic slowdown. And so we think the conclusion, if you look at what has happened to date, is that nearly half of the reduction in surplus is because of the tax cut that was passed earlier and the debt service that comes from that, and the Republican stimulus proposal. So about half comes from the tax cut, 16 percent from the additional spending, 35 percent from the economic slowdown.

We also, as I have indicated, have factored in the Republican stimulus plan. And you can see that that stimulus plan adds $136 billion to the deficit and does leave us in deficit each of the next three years, if their plan were to pass. We have contrasted that with the Democratic stimulus plan, which you should also have in your charts. And what we see is that under the Democratic stimulus plan we would emerge from deficit more quickly and with much less of an additional debt burden. In fact, under the Democratic stimulus plan we would have $100 billion

less of deficit and we would be out of deficit in two years, with the second year beyond just slightly in deficit.

So I think the conclusion from this is that Mr. Daniels, when he reported on being in deficit the next three years, that is in line with our own analysis if the Republican stimulus plan were to pass. We would not have that same result if the Democratic stimulus plan passed, based on what has occurred to date.

And I think we can also see very clearly that when he attributed the reductions in the surplus solely to the war and the economic slowdown, that he missed by far the biggest contributor to returning to deficits and the biggest contributor is the tax cut this Administration passed and pushed through Congress.