



BUDGET COMMITTEE



Judd Gregg, Ranking Member
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Opening Statement of Senator Judd Gregg (unofficial transcript)

Senate Budget Committee Hearing on the Congressional Budget Office's Budget and Economic Outlook January 25, 2007

Let me pick up where Senator Conrad left off, which is the issue of the long-term budgetary outlook. Because essentially what the CBO projections say - and although I don't agree with all of the comments made by the Chairman - he is correct that there is a lot that's left out because of the rules under which you have to function, such as the war costs and the AMT issue. But following the logic of your proposal, basically if we put things on automatic pilot we would end up in surplus in 2012. But you, obviously, have left things off the table that need to be put back in, so that number would adjust.

Even though that is very good news, it doesn't address the truly acute issue which we confront - which is the fact that once the Baby Boom generation begins to retire, all the numbers go south in a very aggressive way. In your own estimates, you're projecting that there's going to be an approximately 6% growth in entitlements over the next 10 years, and that by the year 2017, they will absorb close to 11% of the GDP. And as we move into the out years, that number goes up dramatically and becomes unsustainable.

And so I think it's important as we look at these short-term numbers, which are positive, which are a function primarily of revenue growth -- and the Chairman and I do depart in our view of this, because you can look at an historical context and put on it any implications you want. But if you look at it with a standard approach, which is what percentage of GDP is the federal government generating in revenues, historically we get 18.2% of GDP. Today we're getting about 18.4% of GDP, so our revenues are robust and they're getting stronger. And your projections are for fairly strong revenue growth as we go forward and as a result, the government is moving in a very positive direction for the next few years from a standpoint of the deficit.

But that does not resolve the problem in the out years, because you can't tax your way out of this problem. You can't grow your way out of this problem. The only way that

you're going to address this problem is if you look at the programs which are in place, and try to make them affordable for our children at the same time as we allow them to continue to be strong programs for those who are retired. So I'd be interested in your thoughts on that, and I do think it's important that we highlight that; that we not allow the short-term good news, which is very positive, to cause us to take our eye off the real issue which is the long-term seriousness of the problem.

So we appreciate you coming here today – we appreciate your willingness to take on this job. I also want to join the Chairman in thanking Don Marron for his wonderful service – extraordinarily good service, and the fact that he's willing to stay on and participate at CBO is critical.

You're our umpire – our fair arbiter. And we appreciate the fact that you've been willing to take on this job, and to have your expertise at the table is going to be a big assistance to us.

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