



Don Nickles, Chairman  
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**CBO DIRECTOR ADDRESSES COMMITTEE QUESTIONS  
ON ECONOMIC GROWTH, DEFICITS AND SPENDING**  
**Committee Republicans take firm stance on spending restraint, deficit reduction**

WASHINGTON – Members of the Senate Budget Committee today heard testimony from Douglas Holtz-Eakin, Director of the Congressional Budget Office, who reviewed CBO’s newly released Budget and Economic Outlook. Committee Republicans zeroed in on two themes: economic growth and spending restraint.

In opening the Committee’s first hearing of the FY05 budget process, Chairman Don Nickles outlined an aggressive schedule and called on committee members on both sides of the aisle to work together to produce a budget.

“Long term, we have big challenges that will never be solved only by one party or the other,” Nickles said.

Nickles pointed out that CBO’s projected FY04 deficit of \$477 billion is primarily the product of a three-year revenue decline, coupled with spending to fight the war on terrorism. He pointed to the recent economic upturn as good news.

“Last year, we passed a stimulus package and it worked,” Nickles said, citing the third-quarter jump in Gross Domestic Product, the recent decline in unemployment and the jump in stock market valuation since the tax cut package was introduced last February (see complete opening presentation with accompanying charts at <http://budget.senate.gov>).

Holtz-Eakin highlighted CBO’s findings that the economy is expected to grow at a healthy 4.8 percent in calendar year 2004 and 4.2 percent in 2005. CBO also predicts unemployment will continue to decline. Holtz-Eakin called the productivity performance during this recession recovery “quite remarkable by historical standards.”

Sen. Mike Enzi (R-WY) asked Holtz-Eakin whether the tax cuts had been positive for the economy and the Director confirmed that in a time when the economy has been hit with a wide variety of economic shocks, the current fiscal policy “has served to support the economy during that period.”

During questioning by Sen. Jeff Sessions (R-AL), Holtz-Eakin also acknowledged that raising marginal tax rates could dampen job creation or at the very least lead to reduced wages. Holtz-Eakin said when predicting economic growth and revenues CBO considered the impact of a private sector assumption that tax cuts will expire.

Nickles described the revenue projections as “disappointing” in light of recent positive economic news.

“When the stock market bubble burst, your predictions missed the rapid decline in revenues big time,” Nickles said. “It was missed greatly going down, and I hope you’ve missed it greatly going up.”

With respect to spending and deficit reduction, committee Republicans offered firm commitments to fiscal discipline.

Nickles said, “Regarding the goal to cut the deficit in half over five years, it is very much this senator’s intention to do that and more.”

Sen. Wayne Allard (R-CO) said, “We can’t ignore the impact of spending on our deficits.”

Enzi said, “We’re not very good at cutting anything. We’re not even good at slightly reducing things. Particularly in an election year, we go into a phase of trying to outbid each other on every program that comes along. I’m going to encourage everyone to look for ineffective programs we can reduce.”

The Committee’s next hearing will be Tuesday, February 3 with Josh Bolten, Director of the Office of Management and Budget. Bolten will discuss the President’s FY05 budget request, which will be submitted to Congress Monday, February 2.