

**RYAN PREPARED OPENING STATEMENT
CBO'S FY09 JAN BUDGET PROJECTIONS
JANUARY 23, 2008**

- *Thank Chairman Spratt, welcome back Director Orszag.*

Short-Term Forecast

- Over the past few years, I think we've almost come to *expect* good news when it comes to our near-term deficit projections.
- We've seen dramatic declines in the federal deficit – well below projections – for each of the past three years.
- In fact, last year at this time, we even found ourselves on what many described as a “glide path” to near-term balance as a result of our economy's performance.
- So it's no surprise that many began taking this trend for granted. We simply *expected* that our economy would keep cranking along – creating jobs, boosting revenues, and driving down deficits.

- But today, I understand that Director Orszag is here to tell us otherwise. CBO is projecting the federal deficit will *increase* this year— largely as a result of the economic slowdown, and the drag it's placed on revenue growth.

Ec. Growth Package

- For the past few weeks, there have been broad discussions on how to best address the recent economic downturn. And there is bi-partisan consensus that the federal government can – and should – respond.
- But even while the President announced that we should act quickly to move a economic growth package – the exact contents of that package is not yet resolved.
- As I noted last week, I believe there are several key principles we need to keep in mind:
- First, do no harm. I am concerned that, *in our rush to “help,”* we talk ourselves into a quick, feel-good hit today that will leave us with a bigger budgetary hangover tomorrow.

- Second, get the fundamentals right. That means keeping tax rates low, and spending under control in both the short- and longer-term. That is the best, proven recipe for *real, long-term growth*.

- Third, understand that we simply cannot *spend* our way to prosperity. I am particularly concerned that Congress will be tempted to use the excuse of “fiscal stimulus” to push through a wish list of *new* spending – further worsening our budget outlook, and our nation’s economic future.

- In short, I believe that in addressing current economic concerns, we’ve got to keep our focus on *good economic policy* that lasts beyond the next few quarters.

Problems With Baseline

- On a final note – *and to be clear, this is in no way a criticism of CBO* – while the information we’ve received today is critical for crafting our budgets, we’ve got to recognize the limitations of something called the “baseline.”

- The “baseline” concept – under which CBO formulates its projections – includes a built-in double-standard favoring higher spending and higher taxes.
- In general, the baseline assumes that spending – even if scheduled to expire – goes on forever, while tax relief is temporary. As a result, extending spending programs has no impact on the baseline deficit, while extending tax relief is shown as causing a deficit increase.
- Assuming revenues from the AMT, or the expiration of current tax relief in 2010, simply because they’re baked into something called the “baseline” should not serve as an excuse to impose job-killing tax increases on our nation’s economy.
- To conclude, as we look at current economic conditions, as well as CBO’s longer-term forecast, we should pursue policies that maintain low tax rates, keep spending under control, and work to address the long-term unsustainable growth in our major entitlement programs.