

Snow Opening FY04 Budget Statement
before the Senate Finance Committee
February 5, 2003

Chairman Grassley, Ranking Member Baucus, and distinguished members of the Finance committee, before I begin my testimony today I would like to thank you for the trust you expressed in me last week by reporting out my nomination to be Secretary of the Treasury. I intend to do my utmost to live up to the tremendous responsibility you and the President have given to me.

I welcome the opportunity to appear before you today to discuss the President's budget for fiscal year 2004. Let me begin by offering my views on the essential background for this budget: the United States economy and President Bush's economic growth plan, which promises to create jobs, accelerate America's economic recovery, and increase our growth for years to come.

As every American knows by now – whether from having lost a job, knowing someone who has, or worrying about losing theirs – our economy took a turn for the worse beginning in the summer of 2000. By the time President Bush took office an undercurrent was running against the economy. The unprovoked and unprecedented terrorist attacks of September 11, 2001 compounded a recession that was well underway, while the discovery of serious abuses of trust by some corporate business leaders slowed our recovery from it.

In response to this confluence of adverse events, President Bush led decisively. Acting with Congress in a bipartisan fashion, he took the steps necessary to protect a shaken nation and a fragile economy. In 2001 when relief was needed, he signed the most sweeping tax relief in a generation. As evidence of the damage became clearer, he acted again in March 2002 to further bolster the economy. These were precisely the right medicine at precisely the right time. These actions made the recession shorter and shallower than it would have been. In fact, by most measures it was the mildest since World War II.

In the face of extreme adversity, our economy, like our nation, remains resilient. Despite a sequence of economic slowdown, attack on our homeland, war in Afghanistan, and weakened investor confidence, the economy is recovering. But as the President has stated, we can and must do better. Relative success is not sufficient. Too many Americans are out of work today, and too many Americans are insecure about their tomorrow.

We must build on the proven strengths of our economy. We must continue to move towards policies that will create more good jobs and raise living standards for all. As long as there are Americans who want a job and can't find one, the economy is not growing fast enough. That's why President Bush's jobs and growth package is so important. Under the President's proposal, 92 million taxpayers and their families would receive a tax cut in 2003. A typical family of four with two earners making a combined

\$39,000 will receive a total of \$1,100 in tax relief, compared to the taxes they paid in 2002, under the President's plan – and not just this year, but in each and every year after. And his plan will create hundreds of thousand of additional jobs by the end of this year and well over a million more by the end of next year.

The package will not only help America return to its economic potential, it will increase it, creating a more abundant future with more good jobs and rising real wages. I believe that is what everyone in this room and across America seeks.

Before I turn to the budget, a word about deficits. Deficits matter. They are never welcome. But there are times, such as these, when they are unavoidable, particularly when we are compelled to address critical national needs. It is important to remember, even without the President's economic growth and jobs package, homeland security, and the war on terrorism, we would have deficits now. Are these deficits welcome? No. Are they understandable? Yes.

The surpluses we enjoyed were the product of a strong economy, not a weak one. We will not return to economic strength by taxing our economy when it is struggling, any more than we would increase our nation's security by failing to fund its defense when it is threatened. The prescription for returning to balanced budgets is straightforward: hold the line on spending and grow the economy. This is the direction the President has chosen: a course to create real jobs that last. We are not going to let terrorism and its effects bring either our nation or our economy to its knees.

Finally, we should remember that current deficits are small relative to our unique circumstances and to our economy as a whole. Even at their depth, they remain considerably below the typical levels following a recession over the last 30 years and they begin a pronounced improvement after next year.

We face new threats and challenges. Job creation and economic growth are keys not only to our near-term but our long-term success as well. If we are to meet the threats of today and the challenges of tomorrow, we must have a strong economy. In fact, we must seek a higher level of prosperity for America than we have known – one which puts us on an even higher growth path, one which unlocks the fullest potential and talents of the American people. That means encouraging hard work, rewarding hard work, and creating the opportunities for work for all Americans. These are the values that brought America to where we are today and they are the ones that we must allow to lead us into the future. We must also remember that our success and our example in this endeavor promises not only a brighter, better future for our people and our children, but for the rest of the world as well.

The Jobs and Growth Package, our new initiatives to promote savings, our proposal to promote health care coverage, to encourage charitable giving, and to promote responsible energy production, and improved compliance measures from the Internal Revenue Service are all important budget initiatives. Each of these is described in more detail in our request.

The Treasury Department's portion of the 2004 budget is nearly a third reduced from 2003, owing mainly to the separation of homeland security functions from the Treasury Department this year. Adjusting for that change, Treasury's request is an increase of about 3.5% over last year's request.

Treasury's budget request will allow us to build on our recent accomplishments and highlights our commitments to:

- 1) Fight the war against terrorist financing;
- 2) Ensure that the tax system is fair for all Americans through a comprehensive compliance effort that includes high income taxpayers;
- 3) Increase Treasury's efficiency and effectiveness by streamlining operations; and
- 4) Maintain the integrity of our nation's financial systems and currency.

I look forward to discussing that plan and the rest of the President's budget with you today.