U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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OPENING STATEMENT BY SECRETARY HENRY M. PAULSON, JR. ON THE PRESIDENT'S FISCAL YEAR 2009 BUDGET BEFORE THE UNITED STATES SENATE COMMITTEE ON FINANCE

Washington, DC—Chairman Baucus, Senator Grassley, Members of the Committee: I am pleased to be here to discuss the President's budget for fiscal year 2009. As Treasury Secretary, my highest priority is a strong U.S. economy that will benefit our workers, our families and our businesses. Through a measured approach that balances our nation's needs with our nation's resources, the President's budget supports that priority.

This is especially important now as, after years of unsustainable home price appreciation, the U.S. economy undergoes a significant and necessary housing correction. This correction, combined with high energy prices and capital market turmoil, caused economic growth to slow rather markedly at the end of 2007.

The U.S. economy is diverse and resilient, and our long-term fundamentals are healthy. I believe our economy will continue to grow, although at a slower pace than we have seen in recent years.

Yet, the risks are clearly to the downside and President Bush knows that economic security is of the utmost importance to the American people. In recent weeks, the potential benefits of quick action to support our economy became clear, and the potential costs of doing nothing too great.

So, we are gratified that Congress is advancing a growth package to support our economy as we weather the housing correction. We believe that a growth package must be enacted quickly; it must be robust, temporary, and broad-based, and it must get money into our economy quickly.

The Senate has begun to consider its version of this bill, and I am hopeful that it will complete consideration soon.

If we keep moving along a fast track, and Congress sends the President a bill that meets our shared principles, rebate payments can start in May and be completed this summer. Together, the payments to individuals and the investment incentives for business will help create more than half a million jobs by the end of this year.

In addition to an economic growth plan to help us weather this housing correction, the Administration will continue to focus on aggressive action to try to provide alternative options to foreclosures. That includes encouraging the HOPE NOW alliance's outreach to struggling homeowners. Congress can do its part by finalizing the FHA modernization and GSE regulatory reform bills and by passing legislation that will allow states to issue tax-exempt bonds for innovative refinancing programs.

We continue to monitor capital markets closely and to advocate strong market discipline and robust risk management. Working through the current stress is our first concern. Through the President's Working Group on Financial Markets, we are also reviewing underlying policy issues because it is just as important to get the long-term policy right.

While we are in a difficult transition period as markets reassess and re-price risk, I have great confidence in our markets. They have recovered from similar stressful periods in the past, and they will again.

The Administration will also continue to press for long-term economic policies that are in our country's best interest – a pro-growth tax system, entitlement reform and a balanced budget. To that end, the President's budget makes the 2001 and 2003 tax relief permanent, and keeps the federal budget on track for a surplus in 2012.

In the future, as in the past, our long-term economic growth will also be enhanced by supporting international trade, by opening world markets to U.S. goods and services and by keeping our markets open. Congress can help create jobs and economic opportunity by passing the pending Free Trade Agreements with Colombia, Panama and South Korea.

I appreciate the cooperative and bipartisan spirit that has brought the Congress and the Administration together to support our economy, and look forward to that spirit continuing as we work through this period. Thank you.

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