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STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, ON THE NEW REPORT FROM THE CONGRESSIONAL BUDGET OFFICE

Today's disturbing report from the Congressional Budget Office projects larger budget deficits over the next ten years than the President's budget estimates, mainly because the economy is weaker than the Obama Administration and many private forecasters projected just a few months ago.

These findings should send two messages to policymakers: First, they should not make the recession, which CBO now projects will be the worst since World War II, even deeper by reducing federal expenditures in 2010 well below the levels that President Obama has proposed. Doing so would result in less demand for goods and services at a time when the CBO report makes clear the economy will continue to need a large boost. Second, policymakers should adopt measures now -- to take effect when the economy recovers -- to begin addressing the vast projected deficits of future years and decades and moving us off a fiscally unsustainable path.

While deficits will decline after this year's record level, they will not shrink to economically sustainable levels without significant changes in policy. That ought to encourage policymakers to step up to the plate and adopt the President's proposals to rein in costly and unproductive subsidies in both the spending and tax sides of the budget — such as by eliminating Medicare Advantage overpayments and achieving other Medicare savings, and by curbing a plethora of special-interest tax loopholes — or to come up with alternative proposals that save as much, are as sound economically, and are as fair.

The new CBO figures also underscore the need for policymakers not to go beyond the President's proposals for extending the 2001 and 2003 tax cuts and for making the estate tax permanent at its 2009 parameters. Extending costly tax cuts for people above \$250,000 or further eviscerating the estate tax would swell deficits even more, while benefiting only a tiny fraction of Americans at the top of the income scale.

Finally, based on today's report, policymakers should view the Obama proposals as just the first step on the path of deficit reduction. In the not-too-distant future, policymakers will need to move well beyond their current positions on both taxes and spending and put everything on the table, in order to achieve deficit reduction that will be necessary — and unavoidable — if we are to avert serious long-term economic damage.

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