

# United States Senate

WASHINGTON, DC 20510

March 24, 2009

The Honorable Kent Conrad  
Chairman  
Senate Budget Committee  
624 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Judd Gregg  
Ranking Member  
Senate Budget Committee  
624 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

We are writing to you following the sobering news from the nonpartisan Congressional Budget Office (CBO) showing that our fiscal situation—which was already dire—is much worse than originally thought. CBO now projects that our cumulative deficit over the next ten years will be more than \$9.3 trillion, roughly \$2.3 trillion higher than the President's budget had assumed. We are all concerned, as is the President, that such long-term deficit projections threaten our recovery and the long-term economic health of this country.

As you know, President Obama, who has been in office for only a couple of months, inherited an economic mess from the Bush Administration. The day President Bush took office, the government enjoyed billion-dollar surpluses and was on track to pay down the national debt to the tune of almost \$6 trillion. Despite such advantages, President Bush's fiscal legacy is not one to be admired or duplicated.

Under President Bush's watch, we saw surpluses disappear and government spending increase by 50 percent. The result was seven straight years of deficit spending and a doubling of the national debt to nearly \$10.6 trillion. The collapse of the financial, banking and housing sectors have forced us even further into the red, as we try to fix the worst economic crisis since the Great Depression.

As if those challenges weren't enough, President Obama has inherited a looming crisis when it comes to entitlement programs—a predicament for which Republicans and Democrats alike share responsibility. The Baby Boomers have already begun to retire, and we have made trillions in promises to the future beneficiaries of Social Security, Medicare and Medicaid that must be addressed.

Deficits matter—and they matter for everyone. Last year, the American taxpayer paid *\$250 billion* to our creditors in interest payments. Each citizen's share of today's debt amounts to more than \$36,000. If we don't take action, those numbers will only get worse, leaving a legacy of debt for our children and grandchildren to pay off in one way or another. Long-term deficits, like the one projected by the CBO, will surely drive up interest rates for consumers, raise prices for goods and services and weaken America's financial competitiveness. The bigger our deficits get, the fewer resources we have to provide critical investments in energy, education and health care and to provide tax relief for small businesses and to the middle-class.

It is also troubling to us that the federal government is now borrowing billions each year from foreign creditors, such as the Chinese and Japanese Central banks, in order to finance our massive debt. The growing indebtedness of our country to foreign competitors raises troubling questions of American independence and the ability of foreign countries to influence our economic and trade policies in ways that might not be in our national interest.

We want to commend the President for submitting a budget proposal this year that shifts course in the right direction. Whereas the Bush Administration told us that deficits don't matter, President Obama has pledged to reduce the deficit by half in five years. We also appreciate the President's commitment to greater budgetary transparency. Unlike his predecessor, President Obama chose to include in his budget the costs associated with the ongoing wars in Iraq and Afghanistan and continuing tax relief to the middle-class. This is a significant – and welcomed – break from the past. We cannot begin to fix our budget problems until we're honest about them.

President Obama has also pledged to address a number of domestic priorities that are critical to our long-term health. For too long Washington has done too little to reduce our dependence on foreign energy, improve educational outcomes for our children and improve access to affordable health care. Our economy will not recover if we don't make critical investments in these areas.

However, as CBO has made clear, the economy is even worse than it was when the President released his budget a month ago. Now is a time for tough choices. With the Baby Boom retirement looming and the continued costs of the economic crisis and wars in Iraq and Afghanistan, we cannot afford to waste one dollar of taxpayer money. As you craft your budget resolution for fiscal year 2010, we would suggest keeping the following points in mind.

First, spending on programs that will not create jobs, help improve the economy or meet a critical need, should be carefully examined. We disagree with both those on the extreme right who demagogue that discretionary spending is the primary culprit for our fiscal mess and those on the extreme left who sometimes act as if waste doesn't exist in government. The truth is we must make our investments matter and ensure that we do everything we can to weed out waste, fraud and abuse in the federal government.

Second, we can't continue to put off addressing entitlement reform. President Obama's fiscal responsibility summit was a needed first step, and we continue to be impressed by the way he is working hard to bring Republicans and Democrats together to find common sense solutions to our problems. The sooner we begin to address entitlement reform, the sooner we can put our fiscal house in order.

Third, as the Chairman has said on many occasions, we must begin to look at fundamental tax reform. We must re-examine the tax code to ensure fairness, economic growth, and fiscal sustainability.

Finally, the deficits projected by CBO are simply not acceptable. When the Administration examines the new data, we believe they will agree that modifications must be made to the President's budget that are both consistent with his principles and reflective of the ever-worsening fiscal reality. We look forward to working with both you and the Administration to achieve those goals.

As President Obama remarked at the outset of his recent fiscal summit, "This will not be easy. It will require us to make difficult decisions and face challenges we have long neglected. But I refuse to leave our children with a debt they cannot repay—and that means taking responsibility right now, in this Administration, for getting our spending under control."

The President is right and we stand ready to work with him and our colleagues on both sides of the aisle to implement an agenda that gets our economy moving again, puts people back to work and finally brings about a return to fiscal sanity.

Sincerely,

Tom Carper

Blanche R. Lincoln

Ernie Boyle

Kay R. Hagan

Jeanne Shaheen

Mark Royce

Herb Kohl

Mary Gandy

Caine Ho Castile

Bill Nelson

Jon Lisk

Paul Begala