

February 4th, 2009

To the Members of the U.S. Senate:

We the undersigned public interest organizations, representing millions of members and supporters nationwide, hereby call upon you to reject the \$819 billion spending bill that passed the House of Representatives last week.

This legislation will total some \$1.2 trillion when interest is calculated over the next decade, and represents an unsustainable growth of government.

In addition, the Congressional Budget Office calculates that the budget deficit will already be \$1.2 trillion for 2009. On January 3rd, the *Washington Post* reported that the deficit could total as much as \$2 trillion. In part, it depends on how badly the recession hits the U.S., but also on how much productive capital the government takes out of the broader economy.

The irresponsible expansion of the budget to bail out state governments from their own budget deficits, expand Medicaid, boost education spending, food stamps and unemployment benefits, build federal buildings, provide more for public housing, construct climate change supercomputers, erect trade barriers overseas, create refundable tax credits, and make special interest payouts will not stimulate sustainable economic growth.

Instead, the astronomical growth of government spending, coupled with further monetary easing and protectionism, will discourage investment, savings, and capital creation, because in the longer term it means higher taxes, higher interest rates, and inflation. It will destroy jobs in the private sector, thus increasing individual dependency on government.

Importantly, it will steep American taxpayers ever deeper into a spiral of debt, now nearly \$10.7 trillion. That includes \$4.3 trillion owed in the form of unfunded obligations to Social Security, Medicare, and other commitments, and \$6.4 trillion held privately, \$3 trillion of which is held overseas. 40 percent of the debt held privately comes due this year. The only way for the government to pay it is to borrow yet more money.

As a result, the federal government is running the serious risk that it will default on its financial obligations, as the nation's creditors during the current economic downturn may be unable to continue sustaining the uncontrolled growth of spending, leaving the nation in financial ruin.

America needs a plan now to begin paying down the national debt, not an ill-conceived scheme that will make that task impossible for our children and our children's children. The nation needs to tighten its belt, and learn how to live on less credit, less borrowing, and less debt.

This is a change that must occur at the individual level, at the county level, the state level, and the national level. It is not a change that should begin by doubling down on a hasty, careless gamble.

In addition, permanent tax cuts that change incentives are much more effective than temporary targeted tax incentives and spending. What economists call the "permanent income hypothesis" shows that individuals and businesses only change their spending and investment habits significantly when they expect policy changes to be permanent. It takes more than one-year, for instance, to build a factory, and businesses may not do so if they think that tax incentives are only temporary.

Preventing tax increases on individual income, capital gains and dividends, changing the tax code to allow full-cost, first-year expensing for business equipment rather than the arbitrary IRS depreciation schedule, and lowering the U.S. corporate tax rate, among the highest in the world, would yield much more bang for the buck in ensuring a rapid economic recovery than the current package of massive spending with a sliver of targeted tax cuts.

Again, on behalf of our members nationwide, we the undersigned urge you to reject the \$819 billion spending bill now being considered. Instead, we ask you to promulgate a real plan for change, to finally set the nation's fiscal house in order, to provide permanent tax relief to businesses and individuals, to free the American people from the boom-to-bust economic cycle, and to at last retire the national debt.

Sincerely,

Fred L. Smith, Jr.
President
Competitive Enterprise Institute

Gary Aldrich
Chairman
CNP Action, Inc.

William Wilson
President
Americans for Limited Government

Mark Williamson
Founder and President
Federal Intercessors

Thomas McClusky
VP for Government Affairs
Family Research Council

David N. Bossie
President
Citizens United

James L. Martin
President
60 Plus Association

Duane Parde
President
National Taxpayers Union

Mark Chmur
Executive Director
Americans for the Preservation of Liberty

Thomas Schatz
President
Council for Citizens Against Government Waste

Dr. William Greene
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Ken Blackwell
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Ron Shuping
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Alex-St. James
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Cliff Kincaid
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America's Survival, Inc.

Richard Falknor
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Maryland Center-Right Coalition

Amy Ridenour
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National Center for Public Policy Research