

TO THE PRESIDENTIAL CANDIDATES AND THE AMERICAN PEOPLE:

Many Americans are struggling. From the slowing economy to falling housing prices, to rising gas and food prices, disappearing jobs, and persisting conflicts in Iraq and Afghanistan – today's challenges are formidable. But the large and growing fiscal challenges we face are even more so.

It is critical that our policymakers turn their attention to our deteriorating financial health, which, if not addressed responsibly and quickly, will cause severe economic hardship for our nation and its citizens, especially the young and future generations.

It is time to reframe the nation's fiscal debate and raise the bar for what we expect to hear from our elected officials.

America's \$53 Trillion Hole

That is the sum of the government's current liabilities and unfunded entitlement promises. It translates to \$455,000 per American household – about 10 times the median annual income of these same households. As that number continues to grow, it means fewer tax dollars going to other services we need. It means much higher taxes in the future. It means mounting debt and interest payments many Americans will not be able to afford.

Some say we can grow our way out of this potential crisis. They're wrong. History and basic math tell us that would require real economic growth in double digits for the next several decades. Even during the buoyant 1990s, the economy only grew at an average rate of 3.2% per year.

Unsustainable Entitlement Spending

Medicare and Social Security alone account for \$41 trillion of this hole, a sum that grows by \$2 trillion to \$3 trillion per year on autopilot. Without meaningful reforms to benefits, or changes to current tax levels, spending on these programs and interest payments alone will begin to consume all government revenue within the next two decades. In fact, this squeeze has already begun. Public education, critical infrastructure, and disaster relief – services Americans would suffer without – are gradually getting crowded out. Programs crucial to our future competitiveness, such as research and development and investments in children, are already taking a hit.

Out-of-Control Health Care Costs

Mounting health care costs also threaten American competitiveness and, if they remain unchecked, could even bankrupt the country. We spend twice as much for health care per capita as the rest of the developed world, yet we see below-average outcomes. Heart disease, cancer, and obesity are all on the rise. More than 45 million Americans have no health insurance at all. The prognosis for our nation's health is beyond unacceptable – it is inconsistent with America's long-standing tradition of stewardship.

Unprecedented Trade and Savings Deficits

As we continue to consume much more than we produce, our \$800 billion trade deficit and near-zero personal savings rate make us increasingly and dangerously dependent on foreign lenders. Japan, China, and other foreign countries now own about half of our public debt. Mortgaging our nation to foreign lenders carries serious economic and geopolitical risks that no great country should take. We simply must save more as a nation and a people.

These challenges cannot be addressed piecemeal – everything must be on the table. We need major reforms to our budget processes, entitlement, health care, and tax systems to put us on a more balanced and responsible financial path. Without them, overall federal tax levels will have to more than double over the next few decades in order for the government to pay its bills and deliver on its promises. That is an immoral and unthinkable burden to leave America's children and future generations.

Given these harsh realities, we must set new and higher standards for how we confront our economic problems. It is no longer acceptable for politicians to simply explain how they will pay for new tax cuts or new spending programs. Even balancing the federal budget would not come close to getting the job done in the long term. Contrary to popular belief, eliminating pork-barrel spending, rolling back the Bush tax cuts, and ending the war efforts in Iraq and Afghanistan also would fall far short. These actions would only get us 15% of the way there.

Americans have grown too used to hearing we can have everything – tax cuts, spending increases, and war funding – for free. We must expect more from those seeking to represent us in Washington. When politicians tell us we can have it all without making any sacrifices, we must reject that siren call and hold them accountable.

At the same time, if they tell us that a price will have to be paid to successfully address our challenges and pave the way for a better future, they should not be penalized for their honesty. Federal office-seekers cannot realistically be expected to propose detailed plans for Medicare, Social Security, health care, and other necessary spending and tax reforms during campaign season. **They can, however, make two commitments now.**

A Call for Leadership:

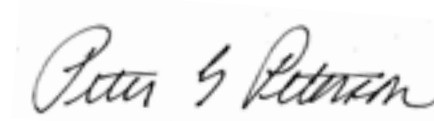
First, to engage Americans in an open and honest discussion about our \$53 trillion financial hole and make addressing it a top priority, if elected.

Second, to create, during their first year in office, a bipartisan “fiscal responsibility commission” to recommend meaningful reforms to the government's budget processes and entitlement, health care, and tax systems – recommendations that are guaranteed to receive an up-or-down vote by the Congress, as is done with military base closings. Everything must be on the table.

Americans have always risen to great challenges and prevailed. We can do it again – but we need leaders and lawmakers with the courage and willingness to make tough choices today in order to create a better tomorrow. And we, the people, must press those who seek to represent us for real results, not more pandering rhetoric. We owe our country, our children, grandchildren, and future generations of Americans no less.

To the Presidential candidates, we ask you to heed this call for leadership. And to the American people, we urge you to visit www.PGPF.org to add your name to this letter and join the growing chorus of citizens working to wake up the nation to the economic challenges we face.

Respectfully yours,



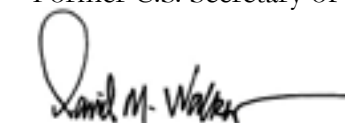
The Hon. Peter G. Peterson
Chairman, Peter G. Peterson Foundation
Former U.S. Secretary of Commerce



The Hon. Robert Kerrey
Co-Chairman, The Concord Coalition
Former U.S. Senator



The Hon. Warren Rudman
Co-Chairman, The Concord Coalition
Former U.S. Senator



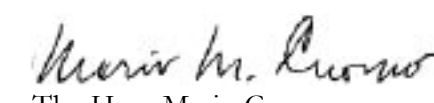
The Hon. David M. Walker
President and CEO
Peter G. Peterson Foundation
Former U.S. Comptroller General



The Hon. Sam Nunn
Former U.S. Senator



The Hon. George Schultz
Former U.S. Treasury Secretary



The Hon. Mario Cuomo
Former Governor of New York



The Hon. Paul O'Neill
Former U.S. Treasury Secretary



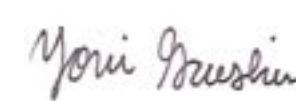
The Hon. Paul Volcker
Former Chairman, Federal Reserve



The Hon. Alice Rivlin
Founding Director
Congressional Budget Office



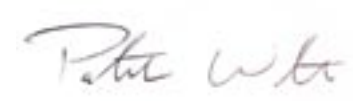
Robert L. Bixby
Executive Director
The Concord Coalition



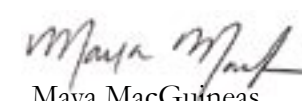
Yoni Gruskin
Executive Director
Concerned Youth of America



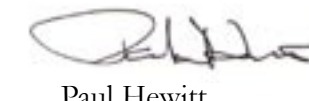
Luke A. Repici
President
Association of Young Americans



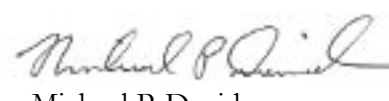
Patrick Wetherille
Co-Founder, Secure Our Future/
Students for Saving Social Security



Maya MacGuineas
President, Committee for a
Responsible Federal Budget



Paul Hewitt
Executive Director
Americans for Generational Equity



Michael P. Davidson
CEO, Gen Next



David Kirby
Executive Director
America's Future Foundation



Peter G. Peterson
Foundation
Our America. Our Future.