



STATEMENT ON THE FEDERAL DEFICIT

As representatives of the nation's business, university, science and engineering communities, we believe the future of our nation depends on our willingness to take immediate actions to rein in the federal deficit and drive economic growth.

Americans know the exploding federal debt is unsustainable. The Congressional Budget Office projects a 90 percent debt-to-GDP ratio within 10 years, a dangerous prospect that would saddle the country with crippling interest payments on the debt. If we do not act soon, the country at some point will be forced to make truly draconian cuts in government expenditures and impose huge tax increases, while simultaneously experiencing prolonged slow or zero growth. This will weaken our nation and reduce the standard of living of current and future generations.

We can still choose our path, however. Past generations of Americans have risen to great challenges, and so can we.

Current discussions about deficit reduction by the Administration and Congress have largely concentrated on domestic discretionary expenditures, which are only about one sixth of the budget. If defense and security-related expenditures were included, the debate would still be focused on only about one-third of the budget. We would need to eliminate nearly all of this spending to balance the FY2012 budget. Moreover, concentrating exclusively on reducing discretionary expenditures threatens to undermine the human capital and the physical, technological and scientific infrastructure upon which our future economy, health, and security depend.

Largely missing in the budget discussions to-date are entitlement programs, particularly the major ones: Social Security, Medicare and Medicaid. These three programs alone account for about 40 percent of the budget and their expenditures will grow dramatically in the decade ahead: Social Security by an estimated 71 percent, Medicare by 75 percent, and Medicaid by 125 percent. Any serious and sincere deficit reduction plan must include entitlement reform.

An effective deficit reduction plan cannot focus entirely on decreasing discretionary expenditures; it must also include tax reform, spending prioritization and actions to strengthen economic growth. Economic growth and job creation require federal investment to prepare our children with world-class educations and to support the scientific and technology research and innovation infrastructure that enable the private sector to create jobs and compete in the global economy.

Americans must set priorities and share in the sacrifice required to put our fiscal house in order. This is consistent with the model discussed in the bipartisan majority report of the National Commission on Fiscal Responsibility and Reform – the Bowles-Simpson commission. We

applaud those bipartisan efforts now underway among some Senators to put a broad-based deficit reduction plan on the table, and we welcome the recent letter signed by 64 Senators calling for a 'broader discussion about a comprehensive deficit reduction package.'

We urge the President and the Congress to emphasize bipartisan compromise rather than contention. We call upon them to join together with Congress in making the tough choices on all elements of the federal budget in order to reduce deficits, bring the national debt under control and empower economic growth and job production.

Norman R. Augustine
Chairman and CEO (retired)
Lockheed Martin Corporation

Robert M. Berdahl
President
Association of American Universities

John Engler
President
Business Roundtable

M. Peter McPherson
President
Association of Public and Land-grant Universities

Charles M. Vest
President
National Academy of Engineering

Deborah L. Wince-Smith
President & CEO
Council on Competitiveness