



November 16, 2011

The Honorable Patty Murray
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Jeb Hensarling
129 Cannon House Office Building
Washington, DC 20515

Dear Co-Chairs Murray and Hensarling:

With a week left until the deadline for the Joint Select Committee on Deficit Reduction to reach a deal, time to negotiate is running low but the stakes remain incredibly high. As ardent supporters of action to get the nation's fiscal house in order, we urge you to approve an agreement that at minimum meets the committee's mission to achieve \$1.2 trillion in deficit reduction without resorting to gimmicks or budgetary sleight of hand.

While we would love to see a so-called "grand bargain," the committee's success or failure will hinge on its ability to credibly hit its statutory \$1.2 trillion target. In order to be real, the deal cannot take the easy way out by relying on accounting illusions that bear little relationship to our urgent fiscal reality. For example, a credible plan that meets the minimum of \$1.2 trillion in savings cannot claim savings from ending the wars in Iraq and Afghanistan to reach the target, just as the rooster cannot claim credit for the sunrise. Likewise, the plan will need to include real revenue increases as opposed to the latest Republican offer, which tortures CBO scoring rules to achieve a \$300 billion revenue hike while permanently extending the Bush tax cuts. This proposal is not a revenue raiser, it's a card trick.

The deal needs to be credible because gimmicks like those may be good enough for government accounting, but will wither under the scrutiny of skeptical financial markets and a disillusioned public. The inability of the Joint Select Committee on Deficit Reduction to reach an agreement would be widely seen as another national failure to come to grips with our fiscal crisis. S&P's unprecedented decision to lower the national credit rating was a political downgrade, and another display of dysfunction could deal another blow to market confidence that is already as brittle as a Fabergé egg. A fraudulent deal would also risk raising discontent among the American public, whose faith in Washington leadership on this issue has been beyond tested. An unserious deal would risk further entrenching the growing cynicism that is poisoning our political system.

We also urge you to resist the siren song of advocacy groups from both sides of the spectrum who argue that failure is acceptable. Over the next week the committee will be under intense pressure to do nothing as groups on the left attempt to declare entitlements as sacrosanct and conservative activists demand fealty to unrealistic, unproductive "no tax" pledges. Ignore them. Failure to act would either raise the specter of sequestration, which would indiscriminately slash critical domestic programs and take a broad sword to the Pentagon

budget, or the unseemly spectacle of Congress spending the next year attempting to write itself a get out of jail free card.

Some may argue that without resorting to accounting tricks a deal is not possible. In fact, it is. In September, Third Way submitted a \$1.65 trillion plan to the committee that raises revenue by closing loopholes without raising rates or touching capital gains. It trims spending through mandatory spending reforms and it makes only the most minimal changes to entitlement benefits. Finally, it pares—without slashing— defense spending. This is not the only path to success, but it demonstrates that finding more than \$1.2 trillion in real deficit reduction without asking either side to cross its political Rubicon is readily achievable.

The debt ceiling debate was a debacle that not only caused a downgrade of the U.S. economy, it brought a downgrade to Congress where approval ratings sit in the single digits. Out of this failure was born the Super Committee. Republicans and Democrats have spent little time agreeing on anything over the past several years, but they must agree here.

Sincerely,



Jon Cowan
President, Third Way

cc:

The Honorable Max Baucus
The Honorable Jon Kyl
The Honorable John Kerry
The Honorable Rob Portman
The Honorable Pat Toomey
The Honorable James Clyburn
The Honorable Dave Camp
The Honorable Xavier Becerra
The Honorable Fred Upton
The Honorable Chris Van Hollen