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December 7, 2023

The Honorable Charles E. Grassley
Ranking Member
U.S. Senate Committee on the Budget
Washington, DC 20510

Dear Ranking Member Grassley and Republican members of the Budget Committee:

Thank you for your letter dated December 5. I agree that, all else equal, a smaller federal deficit and a national debt that is stable or shrinking as a size of the economy would be economically advisable. How we get there is the question.

Republicans exploded deficits with partisan tax cuts that overwhelmingly benefitted the wealthy, as the Committee heard in our hearing May 17—one of several hearings we've held on debt and deficits. If not for the Bush tax cuts, their extensions, and then the Trump tax cuts, the U.S. debt-to-GDP ratio would be declining indefinitely. At that same hearing, every witness testified that tax cuts balloon deficits and do not pay for themselves, contrary to claims made by the Trump administration about its 2017 law.[1]

House Republicans have pursued magical thinking, with CBO pointing out that their balanced budget proposal is mathematically impossible without cuts to Social Security, Medicare, defense, or veterans' programs.[2] That wild notion would zero out all other federal spending and still not completely eliminate the deficit. Even were it not mathematically impossible, it would seem ill-advised to eliminate Medicaid, nutrition assistance, our civil aviation system, our national parks, customs and border security, Head Start, the Food and Drug Administration, federal law enforcement and prisons, and other government programs upon which modern society depends. In its recent failed budget, the Republican House Budget Committee could not explain where 60 percent of its nearly $10 trillion in spending cuts would come from.

As I look at what drove our deficit, I see trillions in unfunded tax cuts for the wealthy, trillions in spending on emergencies, and trillions in health care expenses—some related to an older population needing more services. Looking ahead, the drivers of deficits will be the Social Security and Medicare cash flow crunch, the next round of emergencies associated with climate change, and continued Republican obstruction over making needed reforms to our tax code.
At our hearings on Social Security and Medicare solvency on July 12 and September 27, we heard that CBO predicts that Social Security and Medicare will make up more than half of federal spending growth over the next decade. At those same hearings, we heard both the Social

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[1] Kate Davidson, *Treasury Secretary Steven Mnuchin: GOP Tax Plan Would More Than Offset Its Cost*, THE WALL STREET JOURNAL (Sept. 28, 2017), https://www.wsj.com/articles/treasury-secretary-steven-mnuchin-gop-tax-plan-would-more-than-offset-its-cost-1506626980.
[2] CONGRESSIONAL BUDGET OFFICE, *Spending Reductions That Would Balance the Budget in 2033* (Mar. 14, 2023), https://www.cbo.gov/publication/58984.

Security and Medicare actuaries estimate that my Medicare and Social Security Fair Share Act would indefinitely extend the solvency of both programs without raising taxes on those making under $400,000. As I said at the time, I invite a Republican counterproposal to shore up those programs.

The combined cost to the federal budget of the Great Recession and the COVID-19 pandemic was $10 trillion, nearly 40 percent of our national debt. The next fiscal emergencies will be climate-related, and similarly disastrous for the federal budget, with cascading economy-wide "systemic risks." We have already seen economic disruptions beginning in states like California, Louisiana, and Florida, where insurers are pulling out or going broke due to climate risks. Homeownership usually requires a mortgage, and a mortgage is not possible without insurance; so un-insurability can crash property values. We presented testimony from leading bankers, insurance CEOs, top corporate advisory firms, mortgage lenders, and scientists about these risks; you responded mostly with mockery, climate denial, and fringe witnesses on the fossil fuel payroll.

As we all know, the tax system is corrupted by special interests, and million-dollar earners can pay lower tax rates than plumbers and firefighters. Some billion-dollar corporations pay no income taxes at all. When you are willing to engage seriously with this problem, let me know. There is a revenue side to the deficit problem, and we can correct injustices at the same time.

Finally, health care costs are driving deficits. There are ways to reduce health care costs—with zero benefit cuts—by improving the efficiency and the incentives in our health care system. If we get this right, we can improve people's health and quality of care while also reducing health care costs. I am eager to work with you on this as well, but so far have received neither serious engagement on my earnest proposals nor counterproposals of any kind. We are working with CBO to improve its scoring of health care reforms, but updated methodologies will only matter if we can first come to an agreement over what must be done.

I urge you to produce proposals in these areas, and I will be happy to help you score them so that we can assess what works for the American people and address the federal budget. Until then, I think it is entirely appropriate for the Budget Committee to keep warning of the current and future drivers of our nation's fiscal imbalance: repeated, unfunded tax cuts for the wealthy and large corporations, inefficiencies in our health care delivery systems, failure to address the coming cash crunch in Social Security and Medicare, and cascading economic meltdowns originating in the climate crisis.

Sincerely,

Senator Sheldon Whitehouse
Chairman