Congress of the United States
U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS
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Dear Democratic Colleague:

I would like to call your attention to an op-ed by our colleague, John Tanner, that was recently published by the Memphis Commercial Appeal. In the op-ed, he makes three compelling criticisms of the budget and Social Security proposals from the Bush Administration.

- You cannot have an ownership society on top of a mountain of debt.

- One does not create wealth by purchasing stocks with borrowed money.

- A country cannot be the world's leading economic and military power if its government financing depends on funds from foreign countries, many of which oppose our policies.

I would urge you to read the op-ed, printed on the back of this letter. It is often difficult for our party to break into the national media. But, we can get coverage in our local media as John Tanner has demonstrated.

Sincerely,

Charlie

Charles B. Rangel
Ranking Democrat

Financial plight needs call to bipartisan action

A country cannot be the world's leading economic and military power if its financing depends on foreign countries that oppose our policies, says Rep. **JOHN TANNER**, D-Tenn.

PRESIDENT BUSH did not invent the concept of an "ownership society." We all share the goals of increasing home ownership and having all Americans share in the ownership of our productive economy. His policies, however, will not accomplish his goals.

You cannot have an ownership society on top of a mountain of debt. That is particularly true when the debt increasingly is owed to foreign central banks.

We have heard much from the President and his Republican allies about the fiscal problems faced by the Social Security system. Steps must be taken to resolve those fiscal problems and many of us in Congress are more than willing to seek a bipartisan resolution.

However, we also must address the largest and fastest-growing unfunded entitlement faced by the federal government: interest on the national debt. Currently approximately 8 percent of federal revenues are required simply to pay interest on the national debt. If the tax cuts enacted in 2001 are extended, the Government Accountability Office projects that by 2040 every dime collected in federal taxes will be needed to pay interest on the national debt. At that point interest on our debt will be more than twice the total amount paid in 2040 in Social Security benefits.

JOHN TANNER represents Tennessee's Eighth District in the U.S. House. He is a member of the Ways and Means Committee and a founder of the Democrats' Blue Dog Coalition in the House.

All admit that the President's proposal for private accounts will not address the solvency problems of the Social Security Trust Fund. In fact, it would require trillions of dollars in additional federal borrowing. One does not create wealth by purchasing stocks with borrowed money.

Virtually all financial planners follow two basic principles when advising clients: Do not invest money in the stock market unless you can afford to lose it; and do not purchase stock with borrowed money, because that is the only way to lose more than you invest in the market. The President's privatization proposal violates both of these principles by borrowing trillions of dollars in transition costs over the first decade of enactment.

Proponents of private accounts have consistently argued that the power of compound interest can solve the Social Security Trust Fund problem. What they fail to note is that compound interest is powerful — when you are a debtor. Currently the United States is a net debtor to the rest of the world to the tune of nearly $2 trillion. If our current budget and trade deficits are not addressed, it has been estimated that our net debt to the rest of the world would be $11 trillion in 10 years.

Foreign investors who have loaned money to the United States have suffered large losses in recent years because of the decline in the value of our currency. At some point they may decide to convert those loans into the ownership of large segments of our economy, such as businesses and real estate.

Even if those investors manage their U.S. holdings for business purposes, the consequences will not be favorable. Increasingly large portions of the profits derived from our productive economy will be enjoyed overseas.

A country cannot be the world's leading economic and military power if its government financing depends on funds from foreign countries, many of which oppose our policies.

Some will argue that foreign countries would never sell off U.S. assets. However, history is replete with examples of nations acting in a manner inconsistent with their economic interests. As a Wall Street Journal column noted recently, "Economic history shows a number of times when countries subordinated their economic interests to political goals . . . Nor is there anything new about countries using financial clout to further geopolitical goals." U.S. economic policy should never be at the mercy of any foreign central banker.

Resolving the threat to our country's future posed by our growing debt burden will require action, but saving the system will be possible only through bipartisanship. The President should do exactly what his father did many years ago: bring together congressional leaders from both parties to confront our fiscal problems both in the Social Security Trust Fund and in the rest of the federal budget.