

FRANK R. WOLF
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Congress of the United States
House of Representatives

October 8, 2009

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wolf.house.gov

Chairman Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

I read the enclosed article in *The Hill* this morning about the state of the U.S. dollar and record budget deficits. If it's true you have been telling lawmakers privately that getting the country's fiscal house in order is the only way to avoid future threat to the dollar, I urge you to speak out publicly.

Your opinion as a leader on economic issues is invaluable. Lawmakers sought your analysis while debating the stimulus legislation and the same leadership you exhibited then is sorely needed now with respect to long-term spending.

Congress is at a standstill and too polarized to come together on this issue. Your authority and expertise could move lawmakers to act and make a tremendous difference for our children and grandchildren.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp
enclosure

PLEASE SPEAK OUT.

THE HILL

Lawmakers show worry over U.S. dollar's dwindling worldwide status

By Alexander Bolton - 10/08/09 06:05 AM ET

New waves of concern are rippling through Congress over the state of the U.S. dollar amid record budget deficits.

Lawmakers say there is a real danger of foreign investors losing faith in the dollar as a secure instrument if the nation's debt continues to mount and the Federal Reserve fails to reabsorb trillions in commitments to help the economy and restore lending.

The worries prompted Federal Reserve Chairman Ben Bernanke on Tuesday to reassure a group of Democratic and Republican senators about the dollar's stability and its status as a reserve currency when the subject came up during a private meeting.

But his words failed to quell anxiety.

Bernanke told lawmakers that he had checked with finance ministers of other G-20 countries and promised there is "no cabal" to replace the dollar, according to a senator who attended the meeting. The source also said that Bernanke acknowledged that the dollar could face a threat in the future.

"He said the way to avoid this situation is for the country to get its fiscal situation in order," said the senator, making reference to the problems that record deficits pose to the dollar's strength.

"Brazil, Russia and China have been working among themselves to bring a global discussion of whether the dollar ought to be the reserve currency," said Sen. Chuck Grassley (Iowa), the ranking Republican on the Senate Finance Committee.

"If we keep increasing federal spending by 8 to 9 percent a year and if the Fed doesn't start mopping up money, there's a real worry," he said.

Grassley is one of 30 co-sponsors of legislation that would direct the Government Accountability Office to audit the Federal Reserve and its member banks. He also attached an amendment to housing legislation that became law in May that gives the GAO limited access to the Federal Reserve's records.

Democrats have also voiced concern.

"I don't think we understand all the ramifications but the general feeling is that it can't be good for the U.S. So we have to be concerned," said Sen. Ben Nelson (D-Neb.).

Worry about the status of the dollar has spread in the wake of two recent developments. Last week, World Bank President Robert Zoellick warned that the "United States would be mistaken to take for granted the dollar's place as the world's predominant currency."

Then on Tuesday of this week, currency markets whipsawed after a British newspaper, The Independent, reported that oil-rich countries around the Persian Gulf were in negotiations with Russia, China, Japan and France to replace the dollar with a basket of currencies in pricing oil.

Most economic experts view the threat to the dollar's position as a reserve currency as a long-term problem, but one that is becoming more serious with higher deficits.

The annual deficit is projected to reach \$1.6 trillion this year and the total U.S. debt is expected to rise beyond \$12 trillion.

John Williamson, a senior fellow at the Peterson Institute for International Economics, said the dollar will not be replaced overnight but that "in the long run, it's inevitable."

"I think there will be a world currency, or several currencies in that role," he said. "I think the chances of the dollars remaining the unique currency in the world [are] very slim."

Williamson said the dollar could reign as the dominant currency for the next 20 years but warned that span would shrink if federal deficits continue to soar.

"Big deficits are going to continue in the medium term and that's going to undermine confidence in the dollar," he said.

At a meeting Wednesday afternoon, Senate Republicans discussed the prospect of the dollar losing its status as the world's currency.

Sen. Jim DeMint (S.C.), chairman of the Senate Republican Steering Committee, said he would invite economic experts to the group's lunch meeting next week to make presentations on the issue.

"There's growing concern about our ability to pay our debt and in the long-term value of our currency," said DeMint. "I think it's very alarming and I've been making calls and my staff has this morning about the issue."

Rep. John Tanner (Tenn.), a leading centrist Democrat in the House, warned that if nations move away from using the dollar as the world's central currency, "people won't be buying much of our paper."

The U.S. has been able to finance debt by selling U.S. Treasury bills. China holds \$2.1 trillion in foreign currency reserves, most of it in dollars. If China and other countries did not want to buy the U.S. currency, it would make it harder for the U.S. to finance deficits without a significant hike in interest rates.

China also has a self-interest in a strong dollar, however. It would see its currency reserves drop in value with a weaker dollar, and it would also make it more difficult for U.S. consumers to purchase goods from China's export-dependent economy.

Some Republican lawmakers are concerned about the national security threat posed by rival nations such as Russia talking up the prospect of replacing the dollar as part of a strategy to undermine U.S. economic stability.

Other lawmakers think their colleagues's concerns are overblown.

"In the middle of the economic collapse last fall the dollar increased in value because the perception of the world was that with all of the world economic problems, the dollar was the safest place for the dollars," said Sen. Byron Dorgan (N.D.), chairman of the Senate Democratic Policy Committee.

"There's been all sorts of predictions about the demise of the dollar. I think this country is going to have a strong economic future."

Some Democrats say that conservatives are fanning concerns about the status of the dollar to create political pressure against passing legislation that increases the deficit.

Dorgan says lawmakers should be willing to cut Democratic and Republican priorities alike.

"There are some on the floor day after day saying you have to send 40,000 more troops [in Afghanistan]; how are they going to pay for that?" Dorgan said. "Are they going to charge it like they charged the cost of the Iraq war?"

FRANK R. WOLF

10TH DISTRICT, VIRGINIA

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Congress of the United States

House of Representatives

May 13, 2009

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Chairman Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

The recently released Social Security and Medicare trustees' reports show that both programs are facing bankruptcy even faster than earlier reports have predicted. The Medicare Trust Fund is expected to be depleted in 2017. These figures should grab the attention of every economic mind in the country.

You understand how Washington works, and we both know Congress is broken. I am doubtful that this issue will be addressed through regular order. It will take outside pressure for lawmakers to act. Why won't you speak out? Your respected voice is needed — for the sake of our children and grandchildren.

Last week Senators Voinovich and Lieberman introduced their own bipartisan commission that would tackle Medicare, Medicaid, and Social Security. This measure closely mirrors the Cooper-Wolf SAFE Commission legislation and includes military-base-closing type language to ensure the Congress votes on the commission's findings.

When you speak, people listen. You could make a positive impact on this issue.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp

Speak out on this

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

COMMITTEE ON APPROPRIATIONS

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CO-CHAIR—TOM LANTOS
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Congress of the United States
House of Representatives

April 21, 2009

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Chairman Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

I write again today about the importance of a bipartisan commission to address the long-term fiscal health of our country. Failing to deal with entitlement spending and the growing debt places our country's future in grave danger.

Your opinion matters. People listen when you speak. The confidence of the American people needs a boost and I believe you can provide just that by offering the public some hope for the future.

I voted for the Troubled Assets Relief Program (TARP) last October because I believed that it was the right thing to do at the time for our country. When you and then Secretary Paulson warned Congress of the country's prospects without this legislation, I acted accordingly. Lack of accountability in the TARP program combined with the state of the economy and the spend, spend, spend agenda of the 111th Congress have left the American people with little confidence that the future will be brighter.

When recently testifying before the Senate Budget Committee, you said that President Obama's stimulus was likely to "provide a boost to demand and production over the next two years." This may well be true, and for the sake of the country, I hope your plan works. But if it doesn't, then what? The Federal Reserve, under your control, and the Obama Administration will be judged by history as a complete failure if nothing is done to address the underlying systemic issues our country faces in terms of unfunded liabilities and record national debt.

Chairman Ben S. Bernanke

April 21, 2009

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You may be interested to know that a group put together by David Abshire and the Center for the Study of the Presidency and Congress just released the enclosed report outlining the many challenges our country faces and endorsing the entitlement review commission concept as a bipartisan way forward. The group, co-chaired by Norm Augustine, Roy Romer, and David Walker also included Fred Bergsten, William Brock, William Brody, General Michael Carns, Chuck Hagel, Lee Hamilton, Carla Hills, Shirley Ann Jackson, Admiral James Loy, General Barry McCaffrey, Ed Meese, Newton Minow, Sam Nunn, Thomas Pickering, Admiral Joseph Prueher, Tom Ridge, Richard Solomon, Dr. Louis Sullivan, Togo West, Jr., and Daniel Yergin.

Please publicly weigh in on the need for a bipartisan commission to address long-term spending. Future generations are counting on you.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp

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10TH DISTRICT, VIRGINIA



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Congress of the United States

House of Representatives

March 3, 2009

Chairman Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

I read your testimony before the Senate Budget Committee today and was interested to hear your opinion that President Obama's stimulus was a package you believed "...should provide a boost to demand and production over the next two years as well as mitigate the overall loss of employment and income that would otherwise occur."

The American people are experiencing a crisis of confidence. As you know, yesterday the Dow fell below 7,000, the lowest level since 1997. The American people believe that elected officials will work together to solve the nation's most pressing matters, but this confidence is dwindling with every piece of bad news that factors in to the country's economic narrative.

The bipartisan commission Rep. Jim Cooper and I are pushing, and Senators Conrad and Gregg have authored in the Senate, will restore public confidence in the ability of our elected officials to act today and address runaway entitlement spending so our children and grandchildren don't pay the price tomorrow.

Your opinion as an economic expert was sought on the stimulus, and your opinion on the need for a bipartisan commission to address long-term spending is crucial. Please speak out.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp

PLEASE SPEAK OUT.

FRANK R. WOLF
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Congress of the United States
House of Representatives

March 2, 2009

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Chairman Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

Confidence, according to Webster's Dictionary, is the faith or belief that one will act in a right, proper, or effective way. Everyday seems to bring more bad news. The stock market continues to drop – below 7,000 as I write – and Americans everywhere understand that our country is in trouble.

The American people believe that elected officials will work together to solve the nation's most pressing matters. Entitlement spending and the massive debt we are leaving to our children and grandchildren are economic, moral, and generational issues.

You should know that the Administration and Congress will need a special process to tackle entitlement spending. The bipartisan commission process Rep. Jim Cooper and I have proposed puts every spending program on the table with tax policy. Congress would be forced to vote up – or – down on the commission's recommendations. Over 111 members of the House pledged their support last session, and Senate Budget Chairman Kent Conrad and ranking member Judd Gregg have advocated for a similar commission concept.

I implore you – for the sake of our children and our grandchildren – to speak out on this issue and support the bipartisan commission process. We have an obligation to do everything we can to ensure that their future is filled with promise, not mired in debt.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp

THE current process will not work. It is time for a bipartisan Commission
can. Tim Yan

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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Congress of the United States
House of Representatives

December 12, 2008

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The Honorable Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

I am following up with you today about the letter I sent to President-elect Obama and shared with you last month. I hope you took the time to review the letter and understand how committed I am to finding a bipartisan way to address entitlement spending.

I do not believe Congress will address this issue through regular order. It will take outside voices from leaders like you to move this issue to the forefront.

Every letter of acknowledgment I receive from your office is encouraging, but falls short of your commitment to speak out on the dangers of autopilot spending and potential ways forward. I'm not just talking about the SAFE Commission. If there are other bipartisan ideas that can pass Congress, we should look at those, too.

You spoke out on the stimulus and you should also speak out on this issue.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

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10TH DISTRICT, VIRGINIA



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Congress of the United States

House of Representatives

November 21, 2008

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The Honorable Ben S. Bernanke
Chairman
Board of Governors, Federal Reserve
20th St and Constitution Ave NW
Washington DC 20551

Dear Chairman Bernanke:

I want to share with you the enclosed letter I sent to President-elect Obama today about the enormous challenges our country faces in a time of economic turmoil and financial crisis.

Not only do we have a short-term deficit and debt problem, but a looming financial crisis is staring our country square in the face. These issues need to be addressed simultaneously in a bipartisan way.

You are a leader with a deep understanding of these issues and I am personally asking you to bring the SAFE Commission to Barack Obama's attention as a bipartisan effort to mandate congressional action on a critical issue.

The American people are experiencing a crisis of confidence. You spoke out on the stimulus and you should also speak out on this issue. I believe the bipartisan SAFE Commission concept could restore America's confidence and provide a path toward a safe and secure economy for generations – a renaissance for America.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp
enclosure

**YOU REALLY MUST SPEAK
OUT ON THIS. THIS WILL HELP**